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World Business Newspaper

WEDNESDAY MAY 29 1996

Yeltsin fulfils his election promise to visit Chechnya

Russian president Boris Yeltsin fulfilled a pre-election promise to visit war-ravaged Chechnya, telling Russian troops they had crushed a "mutinous regime" and secured victory in the bloody 17-month conflict. Mr Yeltsin spent four hours in the area as he sought to gain political advantage from a peace agreement signed in the Kremlin. Page 14; Editorial Comment, Page 13

Britain's Labour backs business in Europe
Britain's opposition Labour party set itself apart from the current trend in British politics to unveil a pro-European business policy, but shares in the party's foreign spokesman, Robin Cook (left), said the policy was based on Labour's belief that "the EU is vital to the future prosperity of Britain". National elections must be held in Britain within a year, and recent opinion polls show Labour with a clear lead over the ruling Conservatives. Page 14; Observer, Page 13

Confusion over BSE figures British government officials and farmers' leaders have no official records to indicate an animal's age at slaughter, and thus no figures from which to determine how many were 30 months old when the BSE crisis erupted. Page 9

Peres takes lead into polling day Israeli prime minister Shimon Peres held a narrow lead over his rightwing challenger, Benjamin Netanyahu, in opinion polls on the eve of elections which will determine the future of Middle East peace-making. Page 6; Editorial Comment, Page 13

Tax evasion distorts figures European Commission statisticians said the economies of Belgium, Portugal and Greece were about 20 per cent larger than current figures suggest, because of wrong assessments over tax evasion and other semi-legal economic activity. Page 14

Ministers meet over N Ireland British and Irish ministers met in Dublin but neither side were raising expectations of an imminent breakthrough on the decommissioning of arms in Northern Ireland, just two weeks before all-party talks. Page 9

US offers defence partnerships The Pentagon has sent European defence ministries a list of more than 20 programmes which the US is prepared to open to international partners to head off criticism that the US defence market is closed to European companies. Page 4

Ferrero, the Italian confectionery group, increased worldwide turnover by 7.3 per cent to \$1.23bn (£1.0bn) last year, and signalled its recovery from a devastating flood in 1994 which swamped the company's factory in north-west Italy. Page 16

Czech deficit grows sharply The Czech koruna fell after government figures showed a sharp widening in the country's trade deficit for April to \$1.48bn (£1.4bn) from \$1.29bn (£1.29bn) a month earlier. Page 2

Red Cross warns of food aid shortages A Red Cross spokesman predicts a growing gap between food aid needs and supplies over the next few years and greater numbers of refugees. Page 6

Spain lowers growth forecasts Spain's centre-right government has cut its economic growth forecast for 1996 to 2.3 per cent, a full percentage point below predictions by the previous Socialist administration. Page 2

S Korean invasion plans A North Korean pilot who defected to Seoul said Kim Jong-il had drawn up a war plan to capture South Korea within a week and pilots were training for a lightning strike. Page 8

Sandvik, the toolmaker, won one of the hardest fought cross-border takeover battles seen in the Nordic region when fellow Swedish company Svedala dropped a \$1.4bn (£940m) bid for Finnish industrial group Tampella. Page 15

China reassures HK democrats China's top official on Hong Kong affairs eased fears about Beijing's stance towards democracy in the territory after next year's transfer of sovereignty, saying the Democratic Party would be able to participate in politics. Page 8; Fishing for compliments, Page 13

Former Iranian minister killed Former Iranian cabinet minister Reza Maslounian, who served as education minister under the late Shah, was found shot dead at his home near Paris.

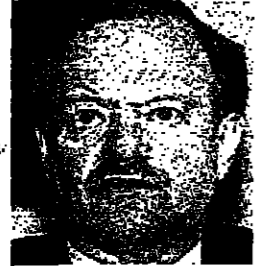
Klöckner-Humboldt-Deutz shares suspended after figures are uncovered German group at risk over loss

Deutsche Bank income up 32%
Deutsche Bank, Germany's biggest bank, expects a further profit improvement this year after a 32 per cent rise in net income to DM177bn (\$499.5m) in the first four months, writes Andrew Fisher in Frankfurt. But Mr Hilmar Kopper, chairman, said the bank's return on equity was "still not satisfactory". Results, Page 16

Klöckner-Humboldt-Deutz, the troubled Cologne-based engineering group, said its survival was threatened by "hundreds of millions" of D-Marks in hidden losses uncovered last week at its Humboldt Wedag plant engineering division. KHD shares were suspended on the Frankfurt stock exchange before the opening, but shares in Deutsche Bank, the group's largest shareholder and creditor, fell slightly before recovering to close up DM1.11 to DM72.20.

KHD yesterday filed criminal charges against several Wedag executives and "outside parties". Mr Anton Schneider, chief executive, was meeting foreign customers of Wedag in an attempt to clarify what had happened. In a statement, KHD said irregularities were discovered at Wedag last Friday "that endanger the existence of the KHD group". It explained that "existing or impending losses in the plant construction sector were covered up and not consolidated in the balance sheet". Wedag, which specialises in making cement plants, reported sales last year of DM1.5bn (\$380m), nearly half the group's DM3.28bn total sales. The group's other main business is the manufacture of diesel engines.

Despite the group's speed in disclosing its predicament, the revelations are likely to embarrass Deutsche Bank. The bank has been criticised for its poor supervision and weak scrutiny of accounts of several companies which reported large losses over the past three years and in which the bank holds large stakes or had granted substantial credit lines. These include Jürgen Schneider and the Interhotel group, both property developers. More significantly, Deutsche Bank had just last year agreed a restructuring programme at KHD aimed at hiving off unprofitable units, cutting costs through speeding up delivery times and reducing the costs of components. That programme involved a DM915m rescue package to prevent bankruptcy to which Deutsche Bank contributed over half the financing.



Yeltsin in Chechnya

Opposition parties take to the streets to demonstrate anger over elections

Albanian police clash with protesters after poll
When a statue of Stalinist dictator Enver Hoxha was torn down in Albania's Skanderbeg Square six years ago, it heralded the overthrow of the last communist regime in east Europe. The same square was the site of a new chapter of violent confrontation yesterday. Under black skies and in torrential rain, riot police and paramilitary units stormed across the square, forcing demonstrators to flee from the kiosk cafes and fun-fair carousels that have sprung up in four years of fledgling democracy and economic reform. In front of the oppressive communist-era buildings that dominate the centre of Tirana - and two days after withdrawing from a general election alleging massive fraud at polling stations - the country's opposition parties tried to bring their protest to the streets. "The election was false," said one protester. "We wanted to show this. Where is pluralism now, when all the MPs are from one party. Now only the name has changed, this is not democracy, this is dictatorship." Some protesters were beaten and kicked, as were passers-by caught in the violence. In the midst of the thunderstorm, police reinforcements and special unit forces in fatigues arrived and attempted to take control of the city centre.

This is dictatorship. We cannot hold our meeting," said one 73-year-old pensioner, who had come to join the protest. As we were forced to seek protection inside a kiosk, his companion, another pensioner said: "There is no democracy, this is fascism we see with our own eyes." For the past two days, the streets have belonged to the raucous celebrations of the triumphant supporters of the ruling Democratic Party of President Sali Berisha, and the first signs of opposition protest were met by a show of overwhelming force. The communists were swept from power in an election four years ago, but the country is yet to recover from the brutal, isolationist rule of Mr Hoxha. Before the election, Mr Berisha's party had been confident that Albania would remain one of the few places in central and east Europe where voters had not chosen government by former communists. International observers sent to Albania to monitor the election witnessed the events. "The police grabbed people and hit them, they dragged them to a corner of the square and beat them just for punishment," said Mr Soren Sondergaard, a Danish member of parliament. Western ambassadors decided yesterday to delay publication of a report on the election prepared by international observers under the leadership of the Organisation for Security and Co-operation in Europe. Fearful of inflaming tensions, the diplomats referred the report to a meeting of the OSCE council in Vienna tomorrow. OSCE observers from the UK, Norway and Germany, shocked at the events in Skanderbeg Square, issued an independent statement: "The elections did not meet international standards for free and fair elections and they did not conform with the requirements of the election law."

The Central Election Commission, issued an independent statement: "The elections did not meet international standards for free and fair elections and they did not conform with the requirements of the election law."

Continued on Page 14



Albanian riot police lining up in front of Tirana's mosque during clashes with opposition groups in Skanderbeg Square. The groups were protesting against the alleged manipulation of Sunday's general elections

UK regional power company ponders bid for water group
Southern Electric of the UK was last night urgently considering whether to top Scottish Power's bid for Southern Water, the south-east of England water utility. Southern Electric, the regional electricity company, had a series of meetings during the day with Southern Water and BZW, its merchant banking advisers. It confirmed that it was in takeover talks with Southern Water, although it stressed it wanted to mount a bid with the endorsement of Southern Water's board. An adviser to Southern Electric said a merger with Southern Water made "an awful lot of commercial logic" and that if it were going to bid it would have to make a decision "pretty rapidly".

As expected, Scottish Power yesterday announced the terms of its bid which includes a share and cash offer initially valuing Southern Water's shares at \$750. An all-cash offer valued each Southern Water share at \$55.7p. The share price of Scottish Power fell 17p to 319p, lowering the value of its cash and shares alternative to \$53.24p and the bid's total value to \$1.53bn. Southern Water's share price rose 260p to 941p - above Scottish Power's cash bid.

Southern Electric, which might be expected to bid up to £10 a share for Southern Water, was off 28p at 728p. Bid speculation boosted other share prices in the water and electricity industries. Anglian, Wessex and Yorkshire water companies were strongly higher, as were London Electricity and Yorkshire Electricity. Included in the terms of the Scottish Power offer is a promise to cut domestic water prices by 3 per cent to Southern Water's customers for two years starting in April 1996.

Scottish Power said a combination with Southern Water would create the leading "multi-utility" business in Britain. Mr Murray Stuart, chairman, said "the merger will lead to increased sales of electricity, gas and water-related services, and boost competition and enhance customer choice". He said it was a further step in the company's strategy of building businesses and that Scottish Power was confident the deal would deliver value to both companies' shareholders. Analysts said the deal was driven mainly by financial considerations. Southern Water had little debt on its balance sheet and was a cheap investment for Scottish Power, or for Southern Electric if it bids.

The Southern bid battle represents the first time that a rec has bid for a water company. Scots raid south again, Page 20

Continued on Page 14

New York Standard & Poor 500	7,722.06	(-39.90)
NYSE Composite	1,237.54	(-10.28)
London FTSE 100	2,544.83	(+24.77)

Federal Funds	5.1%
3-month Treasury Bill	5.125%
Long Term	6.8%

UK 3-month Interbank	5.1%
FR 10 yr Gilt	6.5%
Germany 10 yr Bond	6.75%

Brent	\$18.54
Taps	\$18.25

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July 11, 1996

German building sector's wage deal blocked

By Wolfgang Münchau in Frankfurt

The German construction industry is bracing for an industrial dispute after employers yesterday blocked a minimum wage intended to price foreign workers out of the German labour market.

The BDA, the Federal German employers' association, formally vetoed the move.

Under the law implementing the minimum wage for the construction industry, the employers and unions were responsible for agreeing how much it should be, subject to ratification by a tripartite body, including the BDA.

The employers' decision has increased the likelihood of industrial action in the building industry and highlights a deep split among German employers over wages policy; large number of building employers were in favour of the agreement.

Construction employers and the IG Bau building workers' union reached a provisional minimum wage accord last month, giving West German construction workers a minimum wage of DM18.60 (\$12.20), and east German workers DM17.10. This compares with a going rate of about DM12 earned by a typical foreign EU worker on a German building site.

The BDA said it had vetoed the deal because the minimum wage had been set too high and would lead to more business failures and unemployment. Mr Norbert Blüm, the German labour minister, who is a strong supporter of the minimum wage, accused employers of "letting down not only the employees but also their own members".

Opposition politicians yesterday called for statutory minimum wage to be set by parliament, bypassing the BDA. Mr Klaus Wiesehtgel, president of IG Bau, said: "The employers have acted for selfish political reasons. They are



Chancellor Helmut Kohl (right) and Italian prime minister Romano Prodi who was in Bonn yesterday for talks on next month's EU summit. Mr Prodi was on his first foreign visit since his centre-left coalition won Italy's general elections

prepared to play one set of workers off against another. In doing so they put the survival of the mid-sized construction industry at risk."

It is unlikely that IG Bau will agree to a lower minimum wage - the union has stated firmly that the deal, which was coupled with an unusually moderate wage rise, was final.

Supporters of the minimum wage say setting a uniform rate would ensure a level playing field for large and small companies, and increase the competitiveness of smaller concerns.

Opponents claim that the minimum wage would drive

up total wage costs, resulting in an increase in unemployment. IG Bau says that the lack of a minimum wage put German construction workers at a disadvantage, since they themselves are subject to a *de facto* minimum wage because of collective wage agreements, while foreign EU workers are not.

The dispute over the minimum wage also coincided with the worst downturn the construction industry has faced since the second world war, brought on by the end of the post-unification construction boom and a general economic downturn.

Defence to bear the brunt of Bonn cuts

The search for savings could signal the end of conscription, writes Michael Lindemann

When the German cabinet troops off to the defence ministry this morning, Mr Volker Rühle, their burly boss, may not be entirely pleased to see them.

The unusual practice of holding the weekly cabinet meeting at the Hardthöhe, the sprawling ministry complex overlooking Bonn, has been designed to persuade Mr Rühle that his department has to be bled more than the other 15 if Mr Kohl is to push through the DM70bn (\$46.6bn) savings package he promised last month.

Because funds at several big spending ministries such as labour and health are tied up by legal commitments to fund Germany's social security system, the DM70bn which the ministries alone have been told to stump up are likely to come from scrapping investments in the ministries of transport, research and technology and - most of all - the big defence budget.

Last week Mr Rühle agreed to save just over DM17bn from his DM48.2bn 1996 budget - already whittled down from DM53bn in 1991 - but analysts believe he may be asked to cut back even more to meet the DM70bn target next year.

Cuts could well affect a number of high-profile defence projects, including the Eurofighter - the four-nation fighter bomber - where savings will be particularly difficult after the decision in January to buy 180 aircraft to secure Germany's share of the work on the \$32bn project.

It may, most importantly of all, ultimately see Germany's 340,000-strong army, the largest conscript army in Europe, turn professional.

"If they take more out of the [defence ministry] budget than they have already done this year, then the Eurofighter is affected, the shipyards will be hit and there will be an immediate effect on employment," said Mr Joachim Rohde, an analyst at the Stiftung Wissenschaft und Politik research institute. "I also don't know

how much longer we are going to be able to keep up a conscript army."

To find this year's savings of DM1bn, Mr Rühle has started with the easier bits. He has, for instance, decided not to buy two new Airbus jets for the *Flugbereitschaft*, the fleet of aircraft and helicopters used to ferry Mr Kohl and his ministers around.

Mr Rühle's civil servants are also trying to work out how they can save money on

'If they take more out of the budget than they have already done this year, then the Eurofighter is affected'

Helios, the high-profile Franco-German venture to build a reconnaissance satellite, a project which was finally agreed last year and is only at an early developmental stage.

Some observers speculate that *Helios*, which is likely to cost around DM2bn, may be axed completely if the pressure to save is unrelenting.

Others point out that Mr Rühle is deliberately making noises about *Helios* because it is one of Mr Kohl's pet projects and therefore an effective way of attracting the chancellor's attention. "It's just a balloon designed to signal to Mr Kohl how fed up [Mr Rühle] is that his budget is constantly being pillaged," one defence industry executive said.

Another project likely to be hit is the Tiger attack helicopter, one of the seven Franco-German weapons projects. According to press reports, the French, who themselves are having to make unprecedented savings, have already indicated they now only want 90 helicopters - not the 215 they origi-

nally ordered. Just how much more will have to be saved next year is a matter being haggled over by Mr Rühle's civil servants and their counterparts at the finance ministry before the cabinet decides in July about the size of the 1997 budget.

Analysts point out that as the pressure to save increases, more and more questions will be asked about the future of conscription.

For one thing, Mr Rühle has said time and again he wants to see 30 per cent of the defence budget spent on investments and not the personnel costs of the conscript army. Second, France's sudden decision earlier this year to change to a professional army raises questions over the future of projects such as the Franco-German brigade - part of the five-nation Eurocorps - if Germany does not follow suit.

"One of the reasons why Mr Rühle made so much noise about the French decision to do away with conscription earlier this year is because he knows it will now be much more difficult for him to maintain it here in Germany," says Mr Heinz Schulte, a defence analyst.

The debate about the upkeep of Germany's conscript army centres on what Mr Schulte calls "the opportunity costs of financing meals on wheels".

Because military service is so unpopular in Germany, a record 160,000 young Germans last year refused to sign up and instead opted for so-called civilian service, giving Germany an army of cheap labour to help run the generous social security system.

But with unemployment now rising, it is likely to make more sense, Mr Schulte says, to have the "meals on wheels" and other social services supplied by older unemployed people. The younger ones who are doing it at the moment could then start work more quickly - and through their contributions help to finance the social security system.



Prime minister Pavlo Lazarenko: said to be big in energy sector

'Red director' to govern Ukraine

By Matthew Kaminski in Kiev

Ukrainian President Leonid Kuchma yesterday named Mr Pavlo Lazarenko, a close political ally from his home town of Dnepropetrovsk, as the country's new prime minister, in an appointment casting doubt on the president's stated pledge to shake up a government he has called inept.

A former collective farm boss without a strong economic record, Mr Lazarenko moves up from first deputy prime minister to replace the popular Mr Evhen Marchuk, sacked on Tuesday after accusing the president of pursuing his own political career rather than managing the economy properly.

The switch in prime ministers has heightened political uncertainty in Ukraine, as Mr Kuchma is trying to pass a draft constitution, stabilise the economy, and manage relations with Russia.

Reformers in parliament were dismayed by the appointment and analysts were sceptical about the new prime minister's ability to oversee Ukraine's difficult economic and political transition.

"It just means that the reason for removing Mr Marchuk was that the president wanted a safer pair of hands, not that

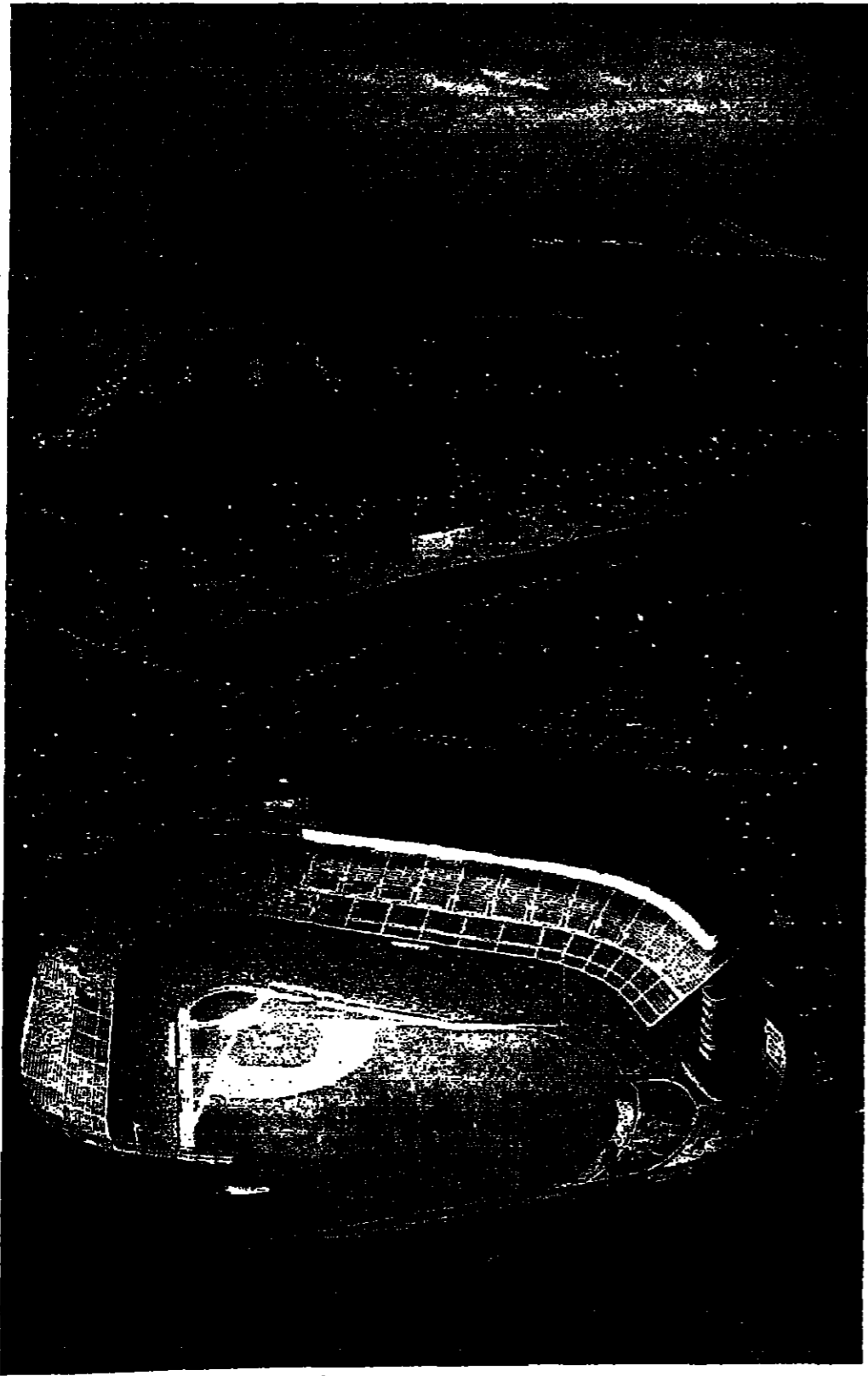
he sought to inject greater momentum into the reform process," one diplomat said.

But a presidential spokesman defended the new prime minister's record, citing strong support from regional governors, Mr Lazarenko, 43, was elected head of a collective farm at 24 and, before moving to Kiev last year, spent three years as governor of the Dniepropetrovsk region, where Soviet president Leonid Brezhnev was born and Mr Kuchma ran a nuclear missile factory.

The spokesman added that Mr Lazarenko, whose appointment does not need parliamentary approval, might yet shake up the cabinet by removing reformist ministers.

Mr Serhei Tirokhin, a member of the Reform party in parliament, compared the new appointee to three previous prime ministers whom he referred to as "red directors". Mr Lazarenko was "very engaged in business in this country, and the two should not be mixed," he said.

As first deputy prime minister for eight months, Mr Lazarenko took a special interest in the lucrative energy sector. Many local analysts believe he controls the electricity market as well as the regional wholesale gas distributors set up earlier this year.



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Natural gas - affordable, safe and available - is an

increasingly popular choice for driving turbines that

generate electrical power all over the world. Although it

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continues to generate tighter legislative controls and the development

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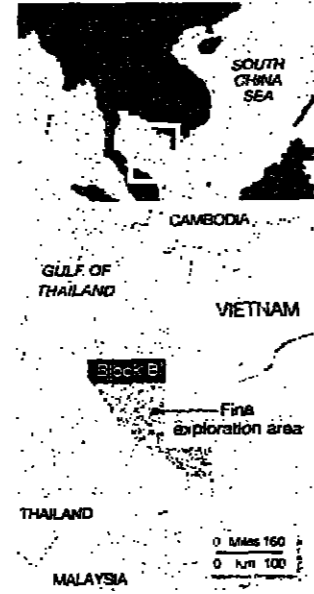
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NEWS: WORLD TRADE

Unocal signs Vietnam oil joint venture

By Jeremy Grant in Hanoi

Unocal, the Los Angeles-based energy company, yesterday signed a three-year contract with state oil agency PetroVietnam to explore for petroleum off the southern coast of Vietnam.

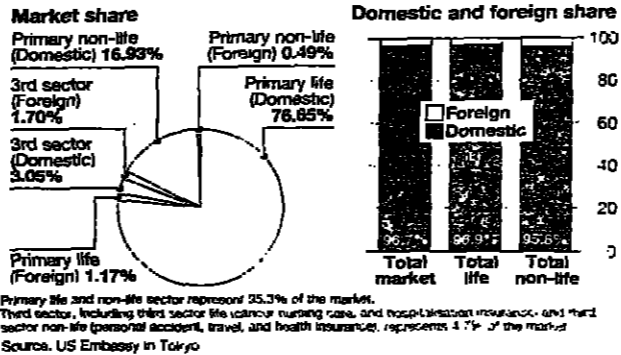


Unocal has 45 per cent of the venture and will be the operator in the area, known as Block B, 480km southwest of the coastal oil hub of Vung Tau. Repsol, the state-owned Spanish oil company, has a 30 per cent interest in the block.

Japan and US try to work out insurance against trade storm

Accusations of industry-wide collusion, non-tariff barriers, market access and broken promises - the stuff of US-Japan trade friction - are once again the focus of a dispute between the two countries that is now building up to a climax.

Japan's grip on its insurance market



The World Trade Organisation will uphold complaints by the US, Canada and the European Union that Japan unfairly taxes liquor imports.

The decision will be adopted in July, the first time the WTO has made a ruling on Japan's often criticised trade practices, according to the Japan Times newspaper, citing unidentified finance ministry sources.

To comply with the ruling, the finance ministry is considering raising the tax on shochu, instead of lowering the tax on whisky, because it does not want to lose tax revenue, the report said.

fixed, making it particularly difficult for foreign companies without business ties or name recognition to compete. The MoF has put forward some deregulation proposals for the primary sector, representing 95 per cent of the market, but there is US concern that they may not be sufficient to create new opportunities for companies that depend on third-sector business.

WORLD TRADE NEWS DIGEST

Koreans 'invest \$10bn in China'

The LG group, South Korea's third biggest conglomerate, plans to invest \$10bn in China in the next decade to make it the group's biggest overseas manufacturing base.

Mobile phones for Rajasthan

The Indian government has licensed Hexacom India, a joint venture between Shyam Cellular Infrastructure Projects, Telecommunications Consultants of India, Telesystem International Wireless Corporation of Canada and the Mauritian subsidiary of Kuwait Mobile Telecom Corporation, to provide mobile phone services in the Rajasthan and North Eastern States region.

Lang backs Russia-UK ties

The recent spying dispute between Russian and Britain would not damage political and trade ties between the two countries, Mr Ian Lang, president of the UK Board of Trade, said in Moscow yesterday.

PanCanadian Petroleum, with a British and a Korean partner, will spend \$17m over five years exploring 5,000 sq km of Libya's Sirte Basin.

PanCanadian Petroleum, with a British and a Korean partner, will spend \$17m over five years exploring 5,000 sq km of Libya's Sirte Basin. PanCanadian retains a 75 per cent working interest and is the operator. The first wells will be drilled in 1997 and 1998.

NEWS: THE AMERICAS

US seeks more European defence partners

By Bernard Gray in London

The Pentagon has launched an initiative to expand transatlantic defence industry co-operation in an effort to head off criticism that the US defence market is closed to European companies.

pared to open to international partners. No formal response has been received by the Pentagon to the offer, which was sent to Britain, France, Germany and Italy in April. However, Mr James Arbutnot, the UK defence procurement minister, will discuss access to the US market, and Dr Kaminski's proposed projects, in a visit to Washington this week.

Exports to Europe are at least double that of European sales into America. France in particular has advocated a "European preference" in arms acquisition to respond to US "buy American" legislation.

Britain has come under pressure from its recent decisions to buy Lockheed C-130J transport aircraft and McDonnell Douglas Apache attack helicopters rather than European alternatives. In Washington earlier this year Mr Michael Portillo, the UK defence secretary, said that the UK would not be able to resist pressures from Europe if there was not a "two-way street" in defence goods across the Atlantic.

AMERICAN NEWS DIGEST

US court rejects Honda appeal

One week after throwing out one award for punitive damages, the US Supreme Court yesterday upheld another larger judgment, also involving a foreign car manufacturer.

Consumer confidence falls

The US consumer confidence index fell to 101.2 in May from a revised reading of 104.8 in April, the Conference Board said yesterday.

Samper's position debated

Colombia's congress was set to open debate yesterday on whether President Ernesto Samper should face impeachment on drug corruption charges.

World Bank economist named

Mr Guillermo Perry, Colombia's former finance minister, announced he had accepted "in principle" an offer from the World Bank to become its chief economist for Latin America.

Cardoso ally resigns to run for mayor

By Angus Foster in São Paulo

Mr José Serra, Brazil's planning minister and one of the country's leading politicians, has resigned to run for mayor of São Paulo in October's elections.

and its main ally, the Liberal Front (PFL), failed to agree on a common candidate for the city, leading to a split between the two parties. "The PFL in São Paulo doesn't have anything to do with the PFL on a national level," Mr Cardoso claimed.

Cigarette group sets hopes on Chattanooga puff-puff

By Richard Tomkins in New York

The Tennessee city of Chattanooga, famous for the choo-choo of the 1940s hit song, will have the opportunity to experience another kind of puff-puff next week: a cigarette that hardly smokes.

smokers who are under pressure because they smoke. Eclipse, which works by heating instead of burning tobacco, produces nearly 90 per cent less second-hand smoke than other cigarettes.

Surinam president rejects offer

By Canute James in Kingston

Surinam's President Ronald Venetiaan has rejected an offer from the country's former military dictator to form a coalition government following inconclusive general elections last week.

mer military leader would be prosecuted in connection with the murders in 1982 of 15 critics of the military junta. Mr Bouterse's offer to join a coalition government followed his National Democratic Party's failure to win a majority in the elections, taking 16 of the 51 assembly seats, according to preliminary results.

Consumer confidence falls

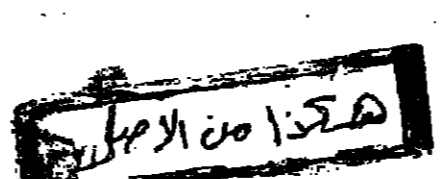
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Calling Dick Tracy... your time has come

By Paul Taylor

Rate rises stoke S African unions' anger

By Roger Matthews in Johannesburg

The deepening public rift between business and unions in South Africa is causing increasing concern to the country's political leaders.

Mr Shilowa said he was also considering a formal complaint to the police over the banks' action, and warned that the unions would adjust their pay claims as a result of the rate rise.

Mr Tito Mboweni, labour minister, who described the South Africa Foundation document as absurd, last week appealed to both sides to moderate their language.

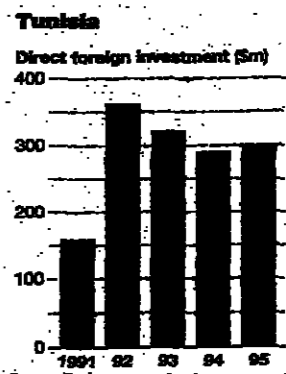
Mr Tito Mboweni, labour minister, who described the South Africa Foundation document as absurd, last week appealed to both sides to moderate their language.

arrive at a resolution of contending viewpoints," he said. The minister was concerned that unions were delaying implementation of the Labour Relations Act, the most important legislation passed last year.

Tunisia steps up sell-offs to attract funds

By Roula Khatib, Middle East Correspondent

The Tunisian government is to accelerate its privatisation programme in order to attract foreign direct investment.



Tunisia Direct foreign investment (bn)

Some 62 companies with total net assets of \$1.5bn have been identified for sale in the next four years, with at least half to be sold before the end of 1997.

Despite a long stated commitment to privatisation, only five companies a year were privatised in Tunisia between 1986 and 1994.

By the end of last year, the original privatisation programme, which envisaged the sale of 75 companies by the middle of 1992, had met only half its target.

Having signed a partnership agreement with the European Union last year, creating a free trade zone to be phased in over 12 years, Tunisia is desperate to attract foreign investment to raise productivity so that its industries can compete with European counterparts.

Foreign capital is a main pillar in its strategy for attracting investment.

Government officials have argued that the accord with the EU will hurt the economy unless Tunisia can attract about \$300m of new foreign direct investment a year outside the energy sector.

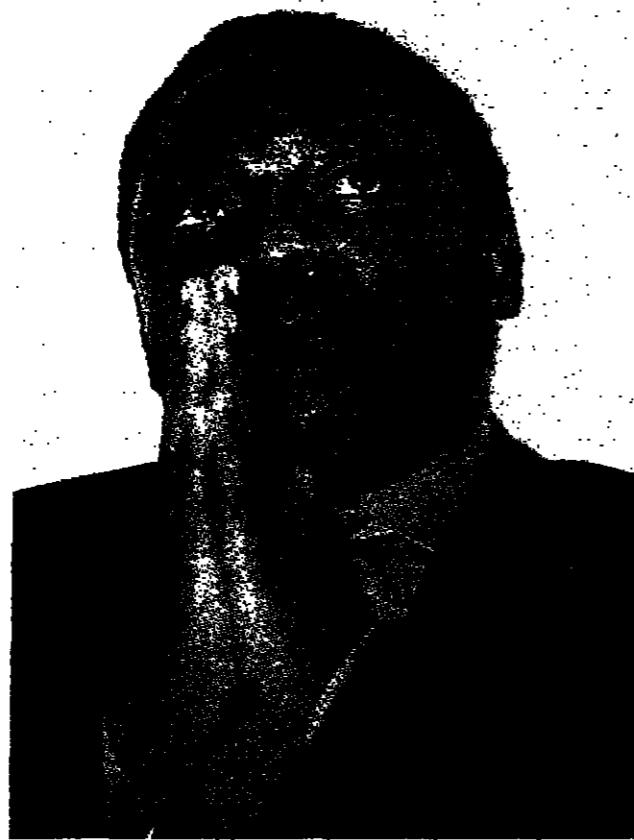
Much of the investment in the past few years consists of the \$200m which British Gas has been spending on a gas project at Miskar in the Gulf of Gabes.

Foreign companies will soon be invited also to bid on a new road network.

Long journey from barricades to boardroom

Cyril Ramaphosa's passage from unions to business is a metaphor for S Africa's political change

Cyril Ramaphosa is determined that South Africa under President Nelson Mandela should not make the same mistake as Ghana under its former president Kwame Nkrumah.



Cyril Ramaphosa: 'If there was a little more openness, I think the unions would fear less.'

"We should not over-concentrate on the political kingdom," said Mr Ramaphosa, once the voice of South Africa's powerful trade union movement, now hoping to demonstrate the merits of "capitalism with a human face".

Mr Ramaphosa, 44, born in Soweto, and about to take up the job as deputy chairman of one of South Africa's biggest black-controlled companies, has made a remarkable journey from the barricades to the boardroom.

Twice detained during the apartheid era, and a key player in South Africa's transition to democracy, he seems as much at home on the shop floor as he is pressing the flesh and exchanging cards with the scores of bankers and directors who queued up to meet him at a reception in his honour at the South African High Commission last week.

national unity - Mr Ramaphosa sought to offer reassurance, both in his question and answer session at the High Commission, and in an interview at the Financial Times.

dictum which the first leader of independent Ghana made famous: "Seek ye first the political kingdom and all else will follow."

equal to South Korea's became dominated by the state, and has yet to recover.

Some 40 years later, Africa's biggest economy has to come to grips with privatisation, competition policy and the globalisation of the world economy, and Mr Ramaphosa will be a key player in the process.

At the beginning of July, he joins New Africa Investments Limited (Nail), the country's leading black business consortium, headed by Dr Nkhato Moflana, physician to President Mandela.

phosa's move can be traced to the sale by Anglo American, South Africa's largest company, of its 48 per cent stake in Johnnic, an industrial holding company, and JCI, a mining group.

Mr Ramaphosa is confident the deal will be done, and Nail believes Johnnic has the potential to serve as a platform to further significantly the cause of black empowerment.

The timing of Mr Ramaphosa's move can be traced to the sale by Anglo American, South Africa's largest company, of its 48 per cent stake in Johnnic, an industrial holding company, and JCI, a mining group.

Affirmative action, he says, should be through influence and persuasion... one does not want to force it, we would want it to evolve, adding that "sensitisation" of the established businesses could work as effectively as legislation.

One route for black empowerment, he suggests, might be through the government tendering system. Contracts which in the past went to companies favouring the ruling National party could go to the black business community, provided the bidders meet usual criteria.

Does the dominance of South Africa's half dozen big conglomerates stifle competition? "I happen to believe it certainly does."

When pressed, he is a bit more forthcoming. The unions, he says, "have two problems with privatisation - ideological and the fear of job losses. If there was a little more openness, I think the unions would fear less."

Michael Holman and Philip Gawith

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NEWS: ASIA-PACIFIC

Philippines set to liberalise retail sector

By Edward Luce in Manila

The Philippine congress is poised to enact a bill which would allow foreign retail groups to take 100 per cent ownership of local retail chains...

banking, insurance and water sectors to part or full foreign ownership.

Under yesterday's compromise, foreign retail groups such as Marks and Spencer and Wal-Mart would be able to take 100 per cent ownership of operations with a minimum capitalisation of over 10m pesos...

But proponents of the more liberal version seem to be winning the argument. There is a possibility the new version will be diluted on final reading next month...

The largest Philippine retail groups, which are recording 15 to 20 per cent sales growth a year, are already signing informal joint ventures with foreign groups keen to enter the expanding market.

Consumer spending in the Philippines makes up over 70 per cent of gross domestic product.

China urged to step up reform of state sector

By Tony Walker in Beijing

China needs to make more concerted efforts to reform its state enterprises, bolster public finances and drive forward its market reforms if it is to maintain present levels of economic growth...

Far-reaching changes to the banking system, including a strengthening of the central bank and increased competition among commercial banks, were needed to underpin China's economic reforms...

The report coincides with concern among Chinese economists and their western counterparts about a slowing economy. China's growth target for this year is 8.9 per cent...

The World Bank also stressed the need for the government to "reorient" its involvement in the economy, including facilitating "open market operations" to allocate credit in place of the present rigid quota system.

China plans to abolish ceilings on interest rates in its fledgling yuan interbank market, which began operating on January 3...

Infrastructure development and environmental protection. "Mobilising revenues to meet these extra expenditure needs will be central to China's ability to sustain rapid growth and reform..."

The Chinese Economy: Fighting Inflation, Deepening Reforms. World Bank, 1818 H Street NW, Washington DC 20433, US

international and inter-provincial trade and investment barriers, and encourage privatisation of smaller enterprises.

Reduce the scope and detail of the credit plan under which China allocates resources to allow more discretionary lending by the banks; gradually permit the freeing of interest rates; transform state banks into genuine commercial banks...

The bank paid tribute to China's success in cooling an overheating economy "without stalling growth", but "keeping growth high and inflation low will be difficult and require maintaining the momentum of economic reforms to increase the efficiency of investment."

HK Democrats get green light

By John Riddling in Hong Kong

China's top official on Hong Kong affairs said yesterday the Democratic party would be able to participate in politics after next year's transfer of sovereignty...

Mr Lu Ping, director of the Hong Kong and Macao affairs office, said China did not fear elections in Hong Kong and that all political parties which abide by the law will be tolerated.

The Democratic party, the biggest group in Hong Kong's elected Legislative Council, has been the target of fierce criticism from Beijing.

The Democratic party expressed satisfaction with Mr Lu's statement, made during an interview with a US television network. But Mr Anthony Cheung, the party's vice-chairman, cautioned that the provisional legislature, to be set up by China, might introduce laws to curb political parties.

Shifts in HK business, Page 13

Thai PM boosts image with reshuffle

By Ted Bardacke in Bangkok

Mr Bodi Chummananda, former head of Thailand's budget bureau, was named finance minister yesterday in a cabinet reshuffle that also saw a new foreign minister and the exclusion of some of the country's most unpopular but powerful politicians.

The make-up of the new cabinet is likely to improve the image of Mr Banharn Silpa-archa, the prime minister, but does little to heal some of the structural rifts in his seven-party coalition, analysts said.

As a result, Mr Banharn and other politicians were already talking about another cabinet shake-up in just three months.

Mr Bodi, 61, is a technocrat with a long record of government service at the finance ministry, which he now directs.

This sets him apart from the man he replaces, Mr Surakrit Sathirathai, whose background is a politically ambitious lawyer who has been the subject of constant complaints within the financial community.

At the budget bureau Mr Bodi was known to be fiscally conservative - Thailand consistently ran budget surpluses during his tenure - although generous amounts of funds flowed to projects located in Mr Banharn's home province of Siphoburi.

The new foreign minister is Mr Anusorn Wiravorn, a former banker, who will also continue to serve as deputy prime minister for international economic affairs. He replaces Mr Kasem Kasemsri, who resigned.

Mr Banharn re-appointed all five cabinet members from the Palang Dharma party, including Mr Thaksin Shinawatra, who resigned as deputy prime minister last week in an attempt to put pressure on the premier to drop some controversial members of cabinet.

The tactic apparently worked as three members of the powerful Therd Thai faction within Mr Banharn's Chart Thai party - including Mr Neevin Chichoch, former deputy finance minister, and Mr Suchart Tanchareon, former deputy interior minister - were left out of the new line-up.

This could cause Mr Banharn problems in the future although all three were replaced by other members of the same faction. While Mr Banharn continues to double as interior minister, he named Mr Anusorn Wongwan as his new deputy.

Mr Anusorn's father, Mr Narong Wongwan, who the US alleges has been involved in drug trafficking, had demanded the interior ministry post for himself while strenuously denying the drug allegations.

Thailand's military, which has staged 17 coups since 1932, made no public comment on the cabinet moves. The reshuffle did not involve the New Aspiration party, the coalition's second largest party, led by General Chavalit Yongchaiyudh, the defence minister.

Junta's strength proves its own worst enemy

Releasing Burma's opposition leader has exposed the divisions in the military, writes Ted Bardacke

When Burma's military junta released the pro-democracy leader Ms Aung San Suu Kyi from house arrest nearly a year ago it was widely seen as a sign of strength. The economy was growing and ethnic unrest had been subdued.

At first they seemed to be proved right. Japanese business started to take a keen interest and the country was promised admission to the Association of South-East Asian Nations.

Events of the past week have taken off some of that shine. The regime's hardline response to Ms Suu Kyi's seemingly innocuous plans for a conference of her National League for Democracy has backfired both internally and externally.

Despite harsh warnings from the official media, the crowds who gathered outside her house were the largest ever, and external criticism came not only from the West, as expected, but also from previously silent partners such as Japan, South Korea and Thailand.

But despite the regime's claims that last week's arrests of more than 250 NLD leaders saved the country from "anarchy", the government, backed by a 350,000-strong army, is not about to be challenged by a small unarmed group with little more than courage and a six-year-old election victory on their side.

"Short of violence, there isn't going to be much change in the short term," said Mr Eugene Davis, managing director of Finance Thai, a merchant bank which invests in Burma. "Whatever she [Ms Suu Kyi] does won't undermine stability. Siorc is pretty firmly in control."

"Siorc actually thinks they have been lenient," said one observer in Rangoon. "They can always crack down for real. Some officials might worry about what the international reaction would be, but many really mean it when they say they don't give a damn."

Much of Siorc's bravado stems from having been able to tame the ethnic strife that plagued them through much of the early 1990s. Ceasefire



Aung Mye Thazan, National League for Democracy member, flashes a victory sign after the party congress ended yesterday.

agreements have been signed with 15 of the 18 armed groups operating around the country and negotiations are currently under way with the last to hold out, the Karen National Union.

Khun Sa's opium army surrendered early this year, leaving the drug trade untouched but allowing Siorc to redirect troops elsewhere.

Meanwhile, the economy continues to grow, although how much and why is a subject of debate. Because of a dual exchange rate which subsidises the most important state enterprises, 8 per cent growth rates are probably inflated.

Yet because most private investment is funnelled through joint ventures with state enterprises or other government-affiliated organisations, Siorc officials are the ones that feel the economic growth most directly and are able to funnel some of the proceeds into increased military spending.

But if Ms Suu Kyi cannot directly challenge Siorc's rule, she can provoke it, as she did again yesterday by announcing that the NLD would draw up a new constitution to rival that being drafted by the military.

ASIA-PACIFIC NEWS DIGEST

N Korea pilot tells of blitzkrieg plan

A North Korean pilot, who defected to South Korea last week in a 1960s MIG-19 fighter, yesterday claimed North Korea had a plan to seize all of South Korea in a week-long blitzkrieg.

Capt Lee escaped to South Korea during a rare training flight from his base at Onchan, near Pyongyang. South Korean officials said he easily eluded pursuit by his colleagues because of the poor state of the North Korean air surveillance system.

Japanese leading indicators slip

Japan's index of leading economic indicators fell below a symbolic boom-or-bust line in March for the first time for six months. The Economic Planning Agency said the diffusion index of leading indicators for the month was 45.5 per cent, its lowest since August.

Malaysian exports at record

Malaysia yesterday reported a significant trade surplus for March, as exports surged to a single-month record after a lacklustre showing in January and February.

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BUSINESS AND THE ENVIRONMENT

Exhaust in the bag

California in 2000 will introduce the most stringent car exhaust emission controls in the motor industry's history. And Saab, the Swedish car maker 50 per cent owned by General Motors, claims to have them in the bag.

Saab has developed an emissions reduction system based around a 100-litre inflatable plastic bag - shallow, but occupying a large part of the surface area beneath the car's boot.

The bag's function is to collect exhaust gases from the engine in by far its "dirtiest" phase of operations - the first 25-30 seconds after start-up, when the fuel mixture is at its richest and the exhaust-cleaning catalytic converter has yet to reach working temperature.

Once the catalyst has warmed up, the exhaust gases briefly stored in the bag are recycled back through the engine and, second time around, dealt with effectively by the "cat".

Saab claims the system enables engineers to overcome one of the biggest remaining obstacles to the development of a near-zero emissions petrol engine. Of potentially crucial importance is the company's estimate that the system would add only \$75-\$150 (£50-£100) to production costs - far less than much alternative technology under development.

When the engine is started from cold, a valve in the exhaust system closes to divert the exhaust into the bag. After about 25 seconds, when the cat has reached working temperature, the engine management system opens an outlet valve in the bag allowing the exhaust gases to be sucked into the inlet manifold to pass through the combustion process again.

At the same time the bag's inlet valve is closed and the exhaust valve re-opened to allow normal engine operation.

Tests already run by Saab in the US show emissions "comfortably" below the Californian standard for "UleVs" - ultra-low emissions vehicles - to be introduced in 2000.

John Griffiths

When international climate change experts launch a report next Wednesday which has already been attacked by the world's energy industry lobby, they will have an important new ally at their side.

Insurance executives are about to adopt a separate paper calling for "a substantial reduction" in the greenhouse gas emissions which trap heat in the atmosphere and are believed to contribute to global warming.

The paper will be the most tangible result of a conference in London last week of 60 big insurance companies seeking to improve the management of environmental risks that are costing their business huge amounts of money.

The United Nations Environment Programme (UNEP), which co-sponsored the conference, reckons that from 1987 to 1993, "16 one-billion dollar plus catastrophes linked to the environment resulted in worldwide insured losses of over \$50bn (£33bn)". Of those, 85 per cent were due to windstorms and 15 per cent to earthquakes, oil spills and fire.

The report by the International Panel on Climate Change, charged by governments to investigate global warming, says that human beings have a "discernible" influence on global warming. The best known source of such influence is the emission of carbon dioxide generated mainly by the consumption of fossil fuels.

But the World Energy Council, which represents the energy industries of 100 countries, has claimed the report's conclusions are based on shaky evidence and are an attempt to win research grants for scientists.

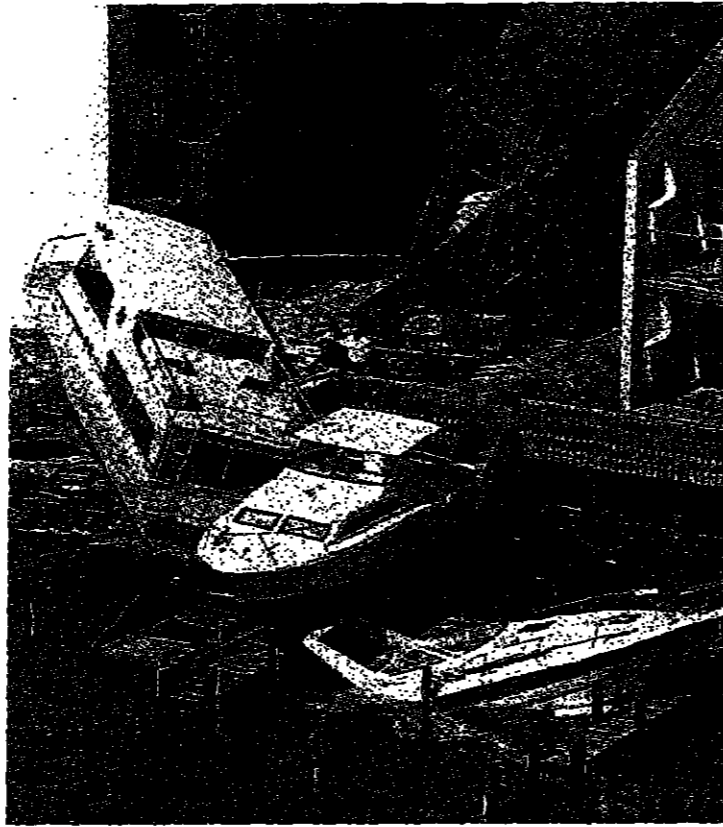
Andrew Dlugolecki, assistant general manager of General Accident, the UK insurer which helped organise last week's conference, says he is "quite surprised" by the WEC's "negative" stance. He also claims that many energy industry executives disagree with the WEC statement. "They believe the debate has moved on from this kind of negative stance on the basic science."

Carlos Joly, senior vice-president for environmental policy at Norway's Uni Storebrand, says the industry is also concerned about global warming because of its possible impact on the big investment portfolios it manages. For this reason, insurers need to "become more knowledgeable about which industries might be most negatively affected by climate change and which might end up being favoured". Not to do so would amount to a failure of due diligence.

"Ten years from now I don't think any prudent portfolio manager wants to be told 'you should have known better'," he says. Uni Storebrand, for instance, is one of the

Leyla Boulton reports on the clash between the insurance and energy industries over global warming

Debate warms up



Windstorm damage: environmental risks cost insurers huge amounts of money

biggest institutional investors on the Oslo stock exchange, managing assets of around \$15bn.

While it is not clear how and when climate change might strike, Joly says gradual pre-emptive action would prove "more cost-effective" than a "business as usual" approach of waiting for the evidence to firm up and having to act quickly and suddenly 15 years down the line.

He argues it is absurd to wait for scientific certainty on global warming when "serious businesses every day" make investment decisions worth billions of dollars on the basis of far less than certainty.

"Who is acting with scientific cer-

tainty when they say that interest rates are going to be x in 5 months," asks Joly, another member of the steering committee behind the London conference and its follow-up.

The insurers will be making their case to governments at the international climate change negotiations in Geneva next month ahead of more talks in Japan next year to agree specific reductions in carbon dioxide emissions.

But raising the industry's profile in the global warming debate is only part of broader efforts to manage environmental risks across the board. The initial aim of the London conference was to put flesh on the

bones of a statement of environmental commitment by UNEP which participants signed last November.

It pledged, among other things, to promote sound environmental practice within the insurance industry and among the companies insured. "Environmental risk is financial risk," says Hans Alders, UNEP's European director. "This means that insurance companies have a lot to gain from better understanding of environmental risks and how to respond to them."

In Europe, companies have responded to environmental concerns by gradually narrowing the kind of risks they are prepared to insure to "sudden" and "accidental" ones. Companies say more exacting conditions for cover have helped to improve the environmental performance of many of the insured.

"A well-run company should not have a problem because they should not be intentionally releasing polluting materials," Dlugolecki says.

In contrast, US insurers, which have been hardest hit by environmentally-related claims, have tried to write out environmental risk from their policies. Instead they have found themselves bogged down in hugely expensive lawsuits on whether they should be liable for cleaning up contaminated land under the federal Superfund programme.

Given their wealth of experience in environmental claims, it may seem paradoxical that US companies have stayed away from the emerging co-operation of European, Japanese and other international insurers. Frank Nutter, president of the Reinsurance Association of America, says one problem is that companies fear they could be held legally responsible for signing up to the UNEP statement on environmental commitment.

Dlugolecki says he believes insurers outside the US would rather not follow the American model of trying to exclude all environmental risks from their policies.

However, much will depend on how regulations outside the US evolve and on the stance taken by the courts in disputes which could, for instance, flare up over new UK laws for the clean-up of contaminated land.

An early pointer to the future could come when the European Commission considers over coming months whether to propose a directive or looser recommendations on European Union-wide definitions of companies' environmental liability. The sorts of questions likely to arise would include how far into the future companies should be liable for past pollution.

"Where we would draw the line is that we should cover any environmental risk whatsoever," says Dlugolecki.

A new kind of 'green' fund

Screening eco-efficient companies is the key, says David Lascelles

An investment fund which screens companies for their eco-efficiency is about to be launched by one of Wall Street's leading fund management firms and Norway's largest insurance company.

The Environmental Value Fund (EVF) has been designed by Scudder, Stevens & Clark and Uni Storebrand to identify companies worldwide which have a record of environmental awareness and a high level of sustainability in their operations. The aim is to reap an "environmental dividend" by obtaining higher returns than the Morgan Stanley World Capital Index.

Carlos Joly, senior vice-president for environmental policy at Norway's Uni Storebrand, claims that the EVF is the first fund of its kind. He stresses that it is not an ethical or "green" fund which invests in companies which profit out of the environment, for example by selling waste management services or clean-up technology.

The basis for the EVF will be the 2,000 or so companies that Scudder already tracks through its team of international analysts.

Of this number, Scudder recommends some 200 for investment at any one time. The EVF will take this selection and apply tests which have been designed by Uni Storebrand to whittle the number down further.

Each company will be rated on eight criteria: impact on global warming, contribution to ozone depletion, material efficiency, toxic releases, energy intensity, water use, environmental liabilities and environmental management quality. The results will be factored into a sustainability index which should show the companies with the best environmental positioning.

Joly expects that about 75 companies worldwide will qualify for investment, and some 25-30 will be in the fund at any one time. He says half a dozen leading European investment institutions have already committed a total of about \$50m (£33m) to the fund, including Swiss Re, Gerling Konzern, Orkla and Uni Storebrand itself.

Nick Bratt, managing director of

Scudder's global equity group, says Uni Storebrand's screening procedure has been back-tested on Scudder's portfolio of five years ago. This showed that the stocks yielded an annual return of 22 per cent over the period, compared with Scudder's 17 per cent, and 12 per cent for the Morgan Stanley Capital World Index.

"We expect that this fund will be a money maker for investors - and do some good," he says. However, the fund is being launched in Europe rather than the US because American investors are expected to be sceptical about the approach - and the registration requirements of the Securities and Exchange Commission would be onerous.

Joly says Uni Storebrand had the idea for the fund because of mounting concerns in the insurance industry over environment-related claims: pollution, climate change, accidents.

As an insurer, Joly says, the company felt it could reduce claim levels by investing in companies with a strong environmental record. As an investor, it also believed that it had a fiduciary duty to support companies that were doing least ecological harm. Because of this, it developed the proprietary screening technology.

Joly took the idea to Bratt at Scudder, who was intrigued by the idea of stocks that would yield a superior return.

The hope for above-average returns and the opportunity to create some environmental exposure also seem to lie behind the decision of the sponsoring companies to commit funds.

Bruno Letsch, chief investment officer at Swiss Re, says his company had been interested in environmentally directed investment, but had mostly been presented with proposals for "green" projects like wind and solar power.

What attracted him about the EVF was that it used Scudder's universe of financially sound companies, and filtered them down to those which were good from an ecological point of view. "That makes a lot of sense," he says. Swiss Re will be committing about \$10m to the fund initially.

There's more to understanding food and drink than being able to order a Burgundy Grand Cru with Filet de boeuf in a restaurant. At least from an insurer's point of view.

who wants to help the industry protect itself from tazzards. And hazards there are, from a soft drink maliciously contaminated with chemicals to sardines languishing in the

wrong oil. Manufacturers finding themselves in this kind of soup are fortunate if they can repair the damage before it gets out of hand. Of course, they'd be more fortunate

if it never happened. Zurich, a leading global insurance group, knows a lot about the food and beverage industry. So we can be a useful ally in limiting not just the

damage, but the risk, by specific methods of hazard analysis and risk engineering. Clear mutual understanding is what nourishes the relationship with our customers.


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ARTS

Television/Christopher Dunkley

BBC2 sings a theme tune

There is a certain irony in the way that Michael Jackson, controller of BBC2, has taken with such enthusiasm to running theme nights. Two weeks ago he devoted Sunday night to unpeeled programmes about George Best. This week he handed the network over to Billy Connolly for four hours on Sunday evening and we had such treats as Peter Sellers delivering the lyrics to "A Hard Day's Night" in the style of Olivier as Richard III.

time to time (one even promised) to show the entire *Billo* canon in chronological order. None has ever succeeded. Most just used episodes from the series, the most seminal of all television comedies, to stuff into odd holes in the ratings.

being 1994, perhaps he is sitting in his own office, watching the tape on a digital editing machine. Anyway, he is checking through the item. And he thinks, "Oh dear, I can hear every word Penny's saying. What shall I do? I know! and he selects a particularly irritating bit of trumpet music, lays it down bang over the top of her voice, and runs it right through the item.

Impossible to allow *A History of British Art* to end without a final salute. This has been one of the best arts series shown on British television. What was so good about it? Chiefly the fact that presenter Andrew Graham-Dixon was so obviously thinking for himself from first principles rather than delivering received truths or, worse, comfortably amalgamating established views.

Rightly enough *The Poisoned Chalice*, which finishes tomorrow, has received widespread praise for making the seemingly dreary subject of Britain's relations with post-war Europe into a highly entertaining four-part series.

There seems an almost panic-stricken desire in television to develop, not another of those comedy chat shows as chaired by Dame Edna Everage or Mrs Merton, but a conventional show like those anchored by Letterman and Leno in the US.

Why this sudden outcry about nepotism in broadcasting? It is true that Barry Norman begat Samantha, Gloria Hunniford begat Caron Keating, John Mortimer begat Emily (not to mention Caroline, Jeremy, etc), and there are two generations of Michelmoeres, Cellan-Joneses, Magnussons, Raphaels, Redgraves, and umpteen others working in the business.



At least the ending is bloodthirsty: Alan Woodrow and Kristine Ciesinski in Salome Opera/Richard Fairman

ENO sucks the life out of Salome

At least it rises to a bloodthirsty ending. Salome is delivered an uncommonly realistic head, freshly severed and still dripping from the arteries, and the orchestra accompanies her kiss with a climax so bold and brassy that the term "red-blooded" hardly seems sufficient.

the usual thing and updates the opera to around the time of its composition to add some relevance. The set, designed by Vicki Mortimer, is monochrome and on the trendy side. Its shell-shocked wall on an empty stage might do nicely for *Il Trovatore* or *Tristan und Isolde* - or just about anything else.

he wants the music to go and has the wherewithal to get the orchestra to deliver it with panache. Litton plays it big and loud. The myriad details of the score get submerged, as his bold romantic orchestra surges forward.

The mind of neurotic, superstitious Herod has more dark corners than he lets on. John Marsden's Narraboth and Ethna Robinson's Page strike up a more interesting relationship than they usually do. None, however, can stop the star of this night-before-the-apocalypse party being Sally Burgess's glittering hostess Herodias, who finds herself occupying centre stage for much of the time.

Theatre/David Murray Hail, good Caesar

For practical purposes, the first thing to be said about Peter Hall's *RSC Julius Caesar* - now transplanted from Stratford to the Barbican - is that it is lucidly staged and put across, so yes, it is a fair bet for your teenage children.

quarrel scene, both rendered in perceptive detail and with his self-sacrificing Portia strike few sparks of feeling. We are watching character studies, not raw, vulnerable people.

It feels like watching Schiller in translation. One admires the stagecraft and the thoughtful psychology. The assassination of Caesar is grisly enough to alarm, and Malcolm Ranson's choreography spells out the battle of Philippi in exciting skirmishes (Hall insists rightly upon "Phil-LIP-ty" as Shakespeare's pronunciation).

INTERNATIONAL ARTS GUIDE
AMSTERDAM
JAZZ & BLUES
Bimhuis Tel: 31-20-6233373
Groupo del Terror: congas-player Garardo Rosales, pianist José Mora and trumpeter Juis Marquez perform jazz music; 9pm; May 30

OPERA
Staatsoper Unter den Linden
Tel: 49-30-2082861
Il Barbiere di Siviglia; by Rossini. Conducted by Sebastian Weigle and performed by the Staatsoper Unter den Linden; 7.30pm; May 30; Jun 2 (8.30pm)
COLOGNE
OPERA
Opernhaus Tel: 49-221-2218240
The Bartered Bride; by Smetana. Conducted by Erich Wächter and performed by the Oper Köln; 7.30pm; May 30

Arkadiev. The baritone performs songs by Tchaikovsky, Mahler and Sviridov; 8pm; Jun 1
HELSINKI
DANCE
Opera House Tel: 358-0-403021
Helsinki Ballet: perform the choreographies Etudes by Harald Lander to music by Czerny, Forgotten Land by Jiri Kylian to music by Britten, and The Second Detail by William Forsythe to music by Willers; 7pm; Jun 1
LEIPZIG
DANCE
Oper Leipzig Tel: 49-341-1261261
Die Schöpfung; a choreography by Uwe Scholz to music by Haydn, performed by the Leipziger Ballett and the Gewandhausorchester; 7.30pm; May 31

Los Angeles
EXHIBITION
The J. Paul Getty Museum
Tel: 1-310-459-7611
Ten Centuries of French Illumination: an exhibition of 20 manuscripts and single illuminated pages, presenting a survey of French painting in books, from the 9th to the 18th century; to Jul 7
MADRID
OPERA
Teatro de la Zarzuela
Tel: 34-1-5245400
The Pake's Progress; by Stravinsky. Conducted by David Parry and performed by the Teatro de la Zarzuela; 8pm; May 31; Jun 2
NANCY
OPERA
Opéra de Nancy et de Lorraine
Tel: 33-83 85 30 60
Don Giovanni; by Mozart. Conducted by Jonathan Darrington

and performed by the Opéra de Nancy. Soloists include Mikel Dean, Nicolas Cavallier, Julia Isav and Gabriel Alexandrescu; 8.30pm; May 31; Jun 2 (2.30pm)
NEW YORK
CONCERT
Alice Tully Hall
Tel: 1-212-875-5050
Renee Fleming: accompanied by pianist Helen Yorke. The soprano performs songs by Schubert, R. Strauss, Gordon, Bassler, Heggie, Copland, Turina and Poulenc; 8pm; May 30
OSLO
CONCERT
Oslo Konserthus Tel: 47-22-833200
Oslo Filharmoniske Orkester; with conductor Manfred Honeck perform works by Sverndsen, Hovsieff and Tchaikovsky; 7.30pm; May 30, 31
PARIS
EXHIBITION
Musée du Louvre
Tel: 33-1 40 20 50 50
Pisanello (1395-1455). La Peintre aux Sept Vertus: major retrospective exhibition devoted to the 15th-century Italian court painter and medalist Pisanello. The display features some 320 works by the artist, his contemporaries and his followers; to Aug 5
THE HAGUE
CONCERT
Dr Anton Philipszaal
Tel: 31-70-3807927
Residentie Orkest; with

conductor Jos van Immerseel and pianist Ronald Brautigam perform works by Arriaga and Beethoven; 8.15pm; May 30, 31
VIENNA
CONCERT
Musikverein
Tel: 43-1-5058861
Sächsische Staatskapelle Dresden: with conductor Giuseppe Sinopoli and soprano Alessandra Marc perform Schoenberg's Erwartung and Bruckner's Symphony No.4; 7.30pm; May 30
Schwanengesang; D957; by Schubert. Performed by baritone Boje Skovhus, accompanied by pianist Helmut Deutsch; 7.30pm; May 30; Jun 1
THEATRE
Burgtheater
Tel: 43-1-514442980
Peer Gynt; by Henrik Ibsen. Directed by Feyermann. The cast includes Augustin, Birkner and Dene; 8pm; May 30, 31
ZURICH
OPERA
Opernhaus Zürich
Tel: 41-1-268 6666
Ivan Susanin; by Glinka. Conducted by Vladimir Fedoseyev and performed by the Oper Zürich. Soloists include Iano Tamar, Cornelia Kallisch, Matti Salminen and Peter Straka; 7.30pm; May 30

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Nonstop live coverage until 15.00 of European business and the financial markets
17.30
Financial Times Business Tonight
CNBC:
09.00
Squawk Box
10.00
European Money Wheel
18.00
Financial Times Business Tonight
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FINANCIAL TIMES

Wednesday May 29 1996

brother PRINTERS FAX MACHINES

President sees chance of political advantage

Yeltsin visits Chechnya to tell troops 'you won'

By John Thornhill in Moscow

Mr Boris Yeltsin, the Russian president, yesterday carried out a pre-election promise to visit the war-torn region of Chechnya as he sought to gain political advantage from a peace agreement signed in the Kremlin.

The president's re-election campaign. It will also help pacify those Russian liberals who have withheld support from Mr Yeltsin and fiercely condemned his conduct of the war.

returned home last night. While the two sides have agreed a ceasefire from midnight on Friday, an exchange of prisoners, and a partial withdrawal of troops, they have not yet tackled the outstanding problem of the region's status, which lies at the heart of the conflict.

British opposition spells out pro-Europe agenda

By James Harding in London

Britain's opposition Labour party yesterday set itself apart from the current vogue of Euroscepticism in British politics, announcing an activist agenda for the European Union.

The policy paper, titled "A business agenda for Europe", is based on Labour's belief that "the EU is vital to the future prosperity of Britain".

Labour's proposed reforms include an extension of the single market, greater competition powers for Brussels and a new EU fund to improve competitiveness and combat unemployment.

However, the clear pro-European tone of the Labour policy document was almost eclipsed by the confusion that continues to surround Labour's equivocal approach to the UK government's policy of non-cooperation in the EU.

A week after Mr John Major, UK prime minister, launched his initiative to disrupt EU business in retaliation for Europe's refusal to lift the ban on beef and beef products, Labour continued to shy away from a clear statement on the policy.

Mr Cook said Labour "will support the government policy of non-cooperation in the national interest" provided that Mr Major observes three conditions - consultation with Labour, consultation with business and avoidance of any language of jingoism and xenophobia.

Labour officials privately admit that while the government's policy has yet to show that it can persuade the UK's European partners of the safety of British beef, it has proved a success in one respect - it has wrong-footed the opposition.

One senior Labour source said that it was impossible to take a fiercely critical stance because the debate would then degenerate into "who stands up most for British interests - Labour or the Tories?"

Nevertheless, Mr Cook said the UK should not be distracted by the beef crisis from the benefits of EU membership and the need for further improvements.

In particular, he referred to the scope to extend the single market to cover new sectors such as energy, telecommunications and biotechnology.

"The single market project has not been completed and we must not allow other preoccupations to distract us from the task of developing it further," he said.

THE LEX COLUMN

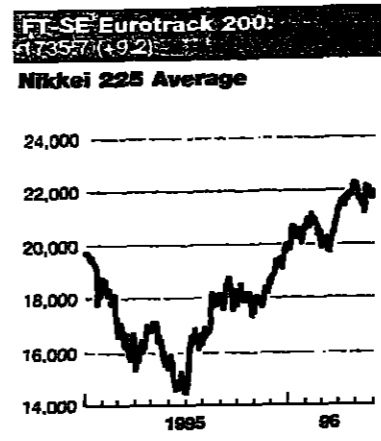
Eating Humboldt pie

The shocking losses at Klöckner-Humboldt-Deutz are a salutary reminder that corporate Germany's quest for greater openness has a long way to go.

At KHD, it appears that divisional management was able to hide losses "in the hundreds of millions of D-Marks" across two audited years.

To make the best of this mess, Deutsche Bank should refuse to bale out KHD yet again. That would almost certainly lead to the closure of the plant engineering side.

Such a break-up would mean the end of one of Germany's oldest engineering names. But it would send a clear signal of the bank's willingness to exercise greater rigour.



Source: FT Data

been to think they have emerged. So far, they have managed to buck a bearish trend in Treasuries, but a sudden, larger-than-expected rise in US rates would be a sterner test, and one they would probably fail.

Southern Water seems to be playing its suitors off against one another remarkably deftly. Certainly, Scottish Power's £1.5bn opening bid looks ostentatiously generous.

Worryingly, none of this seems to have frightened off Southern Electric. True, Southern Electric should be able to take out slightly more of Southern Water's costs because the two businesses overlap geographically.

Low real interest rates in the developed markets and improving economic fundamentals in Latin America and Eastern Europe have finally persuaded investors to put the dire performance of the emerging debt markets in 1994 and 1995 behind them.

WestMerchant's emerging debt index is up 10 per cent this year, defying a one percentage point rise in the US long bond yield. Still, the greatest danger with emerging markets has always

Lex comment on Ladbroke, Page 20

Confrontation in Albania

Continued from Page 1

sion said results were in from 78 of 140 parliamentary districts yesterday. The Socialists won five seats, an ethnic Greek minority party one, and 10 would go to second round balloting next weekend, it said.

Mr Berisha's government has received significant support from Europe and the US, which expect that Albania will play an important role in maintaining regional security.

Opposition leaders described how they had been hauled off to police cells or beaten. His shirt pulled up around his shoulders, Mr Servet Pellumbi, the Socialist leader, displayed long red bruises on his back.

Socialist leaders and their supporters had taken refuge in the party headquarters. Telephone lines were cut and Socialist and other opposition party members were forced to send messengers through the police blockade to bring news of the unfolding events along with cigarettes.

Three EU economies are revised upwards

By Gillian Tett in London

The economies of Belgium, Portugal and Greece are about 20 per cent larger than current figures suggest, according to European Commission statisticians.

Eurostat, the statistical wing of the Commission, is preparing revised, harmonised data to take account of this problem, which occurs partly because tax evasion and other semi-legal economic activity is not being assessed correctly.

Upward revisions could make it easier for Belgium and Portugal to join in economic and monetary union by meeting the Maastricht criterion for deficits and debts.

However, since Eurostat does not plan to publish the revised data for at least two years, the figures cannot be used for judging which countries qualify for the first wave of a single currency, because that decision will be taken in early 1998.

The revised data is likely to boost several countries' gross domestic products, leaving the deficit and debt as a proportion of GDP much smaller.

Belgium, for example, would probably meet the Maastricht criterion that stipulates that a deficit be no more than 3 per cent of GDP in 1997, if its overall economy was 20 per cent larger.

Since the EU budget contributions are also calculated according to the size of the economy, the revisions could also mean that Greece, Portugal and Belgium need to pay more to Community funds.

The Eurostat study of the underground economy is one part of a broad attempt to harmonise figures in the region.

Although it does not attempt to measure clearly illegal activity like prostitution, it is engaged in a study to measure informal economic activity, such as market trading.

Italy revised its data about 10 years ago to include an estimate for such an informal sector - a change which increased the size of its economy by about 17 per cent.

Officials suspect that if these changes are applied across the continent, the EU economy could be up to 10 per cent larger than currently shown.

India's small parties set to rule as BJP quits

Continued from Page 1

has among its leaders some of the bitterest critics of the economic liberalisation programme initiated by Mr Rao's government in 1991. "We are banking on the Congress party to keep the

United Front on a leash as far as reforms go," an analyst with a Bombay-based investment company said. Congress warned on Monday that it would withdraw support of the United Front if the reform process were reversed.

reforms as much as a go-slow and no earthshaking moves as the new government tries to find its feet and accommodates the aspirations and demands of diverse groups, all of which are sure to be pulling in different directions," the analyst added.

Beef protest, Page 9

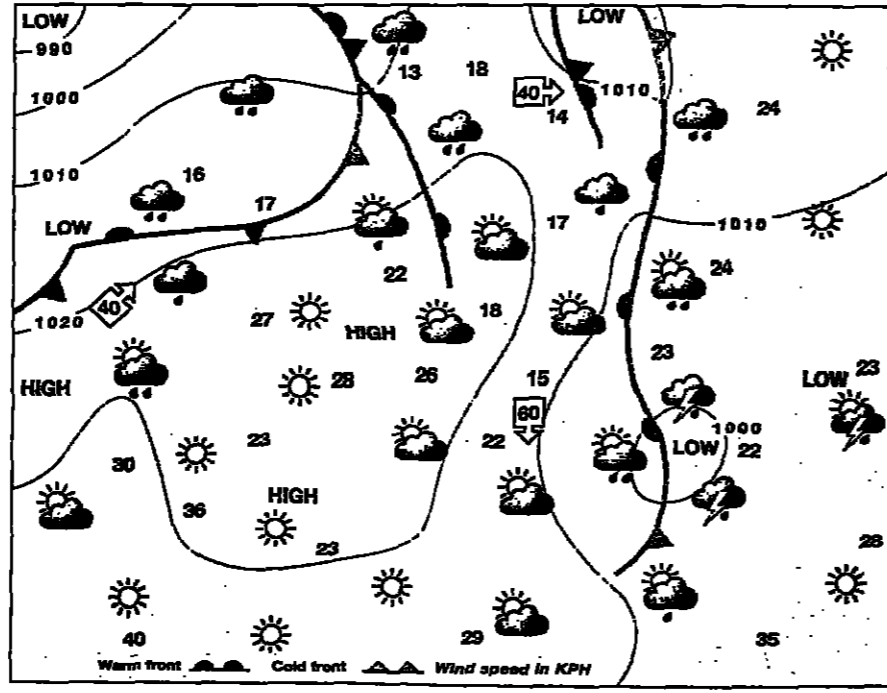
FT WEATHER GUIDE

Europe today

A westerly air flow will draw moist air across southern Ireland and southern England. Drizzle and patches of fog will linger in coastal areas and there will be showers elsewhere.

Five-day forecast

A gradually developing disturbance will cause rain in the British Isles and southern Scandinavia tomorrow and on Friday. High pressure will promote sun in the western Mediterranean on Thursday. This system will slowly move east, giving sunny conditions in the eastern Mediterranean and the Ukraine by the weekend.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Table listing temperatures for various cities including Abu Dhabi, Accra, Algiers, Amsterdam, Athens, etc.

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Advertisement for Lucas Pension Scheme, Global Portfolio Restructuring, and Morgan Stanley & Co. International. Includes a world map and contact information.

Handwritten signature or stamp at the bottom of the page.

Handwritten note in a box: 15.50

GERMAN BANKING AND FINANCE

Risks and challenges on the horizon

Can Germans develop a taste for equities? The privatisation of Deutsche Telekom will be the test, says Andrew Fisher

Hope and apprehension are the dominant emotions among German bankers these days. As they peer towards Germany's financial horizons, they see a mixture of opportunities and risks that both uplifts and unnerves them.

Looming over all their activities is the prospect of European economic and monetary union, due to start in less than three years. Banks are working hard and spending heavily to prepare for Emu. Despite doubts over whether it will start on time and who will take part, they are assuming it will come and that they will have to be ready.

But the formation of a euro-currency zone - most likely embracing Germany, France, the Benelux countries, Austria, Ireland and Denmark - will not be problem-free. While much foreign exchange business will disappear and competition in other sectors will intensify, capital markets will be unified and the potential for profit enhanced, at least for the biggest institutions.

That alone is enough to send thoughts racing among the banks. But they are concentrating on a much more immediate challenge, one of their biggest ever: the DM15bn privatisation share issue by Deutsche Telekom in only a few months. Success will be crucial to the country's financial reputation and will help to make private and institutional investors less half-hearted about equities.

German and foreign banks are preparing feverishly for the Telekom issue, which will be followed by a second share tranche by 1999. Telekom itself

has embarked on a widespread promotional campaign to address potential shareholders. Since last year's new issues were mostly successful - notably Adidas sports equipment and Merck pharmaceuticals - bankers hope retail and institutional investors in Germany will flock to buy Telekom shares in November. They are also relying on investors in Europe, the US and Asia to help ensure that the issue goes well. It will have to be attractively priced, with incentives (still being discussed) to persuade the public to hang on to the shares.

But even if the Telekom issue does succeed, the German stock exchange will still lag well behind other markets in relation to the size of the economy. Many more initial public offerings (IPOs) will be required to produce a heavy-weight market that can even contemplate rivaling other big financial centres such as London, New York and Tokyo.

The potential is certainly there. Bankers never tire of telling how many Mittelstand (medium-sized) companies are keen to learn about raising money on the stock market and are ready to take such a step. Last year's IPO volume was a record at just over DM5bn. This year's will easily set a new high with Deutsche Telekom. But what about 1997 and later?

It is here that the talk turns to pension funds, a vast source of equity, venture capital and other investment in the US, UK and other countries but lacking the size in Germany to have much impact. Most pensions are provided by the state pay-as-you-go system, with companies generally adding to these from their own internal (book reserve) schemes.

But the PAYG system threatens to burst at the seams. High unemployment and a slack economy is causing a pensions crisis in Germany, with demography adding to the financing woes. Only two or three

decades into the next century, there will be just one worker for every pensioner compared with two at present and three in the 1980s.

So far, the government has struggled to maintain the PAYG system in its entirety. But individual and company contributions are set to rise and growth in pensions is likely to slow down. Companies are also finding that the book reserve schemes which served them so well as a source of cheap capital during post-war growth periods are now more of a burden. With the state and corporate sides of the pension system causing increasing concern, many bankers see a gradual move to pension funds of the Anglo-Saxon type as inevitable. At present, book reserves are treated favourably by the tax regime. Companies set aside money to meet future pension liabilities and invest it in their own equipment or keep it in liquid form.

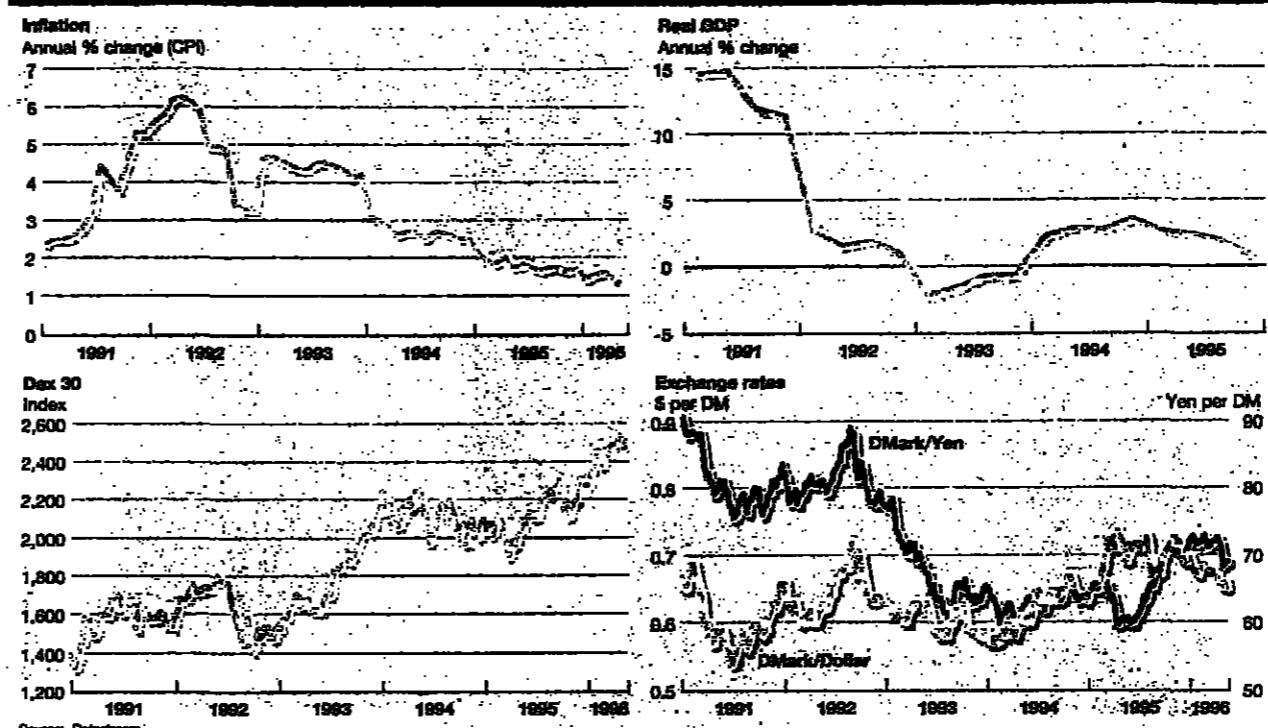
But despite the advantages of this free cash flow, companies now find pensions are costing them more as retirement commitments increase. Having their pension liabilities managed independently would relieve them of this burden, and companies are thus starting to show more interest in Anglo-Saxon-type pension funds. Since these would invest heavily in equities to provide the best long-term returns, the capital market could benefit enormously.

German companies' book reserves total some DM270bn, equivalent to a third of the country's stock market capitalisation. Ronaldo Schmitz, a director of Deutsche Bank, says that if companies could be persuaded to put some of their reserves into the capital market, "this would live up to the stock exchange considerably".

Gerhard Koning, former head of corporate finance at Commerzbank, agrees. "The fact that these pension reserves stay with the com-



Economic indicators



panies is one reason the German capital market is so underdeveloped," he says. In some cases, pension liabilities may be better off within the company than outside. But this depends on individual company performance, which varies enormously. Bankers argue that the discipline and transparency of the capital market would provide a better assurance of adequate returns for future pensioners.

"We have to get to a funded system," says Gerhard Eberstadt, a director of Dresdner Bank. "I can't understand why the health care scheme for the aged [Pflegeversicherung] was not done on a funded basis." But while the government remains reluctant to act in such areas, realisation is dawning that private provision - and thus equity investment - will have to play a larger role. "The market economy in

Germany - in terms of equity - is still in its infancy," says Andreas von Buddenbrock, a Frankfurt-based executive at Merrill Lynch, the big US investment house. Market capitalisation in Germany is only a tenth of that in the US, although the US economy is only three times as large. With financial markets becoming increasingly interdependent through technology and global diversification of

portfolio investments, Germany has much catching up to do. Merrill's data shows that only about 6 per cent of US institutional investment is in foreign equities. "We expect this rate to grow to about 20 per cent," says Mr von Buddenbrock. The potential extra US demand for investment in foreign stocks - mostly by pension funds - could total around DM1,500bn. But little of the

IN THIS SURVEY

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- Profile: Friedel Neuber Page 3
- Banker
- Regional banks
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- Public finance
- Asset management Page 6
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Production editor: Roy Terry
Design: Frances Trowdale

DM100bn or so that the US now invests annually in foreign equities goes to Germany, most is invested in Asia, the UK and south America. Attracting more of these funds will be an enormous task, requiring a much more intensive effort by German banks, markets and the government.

The Frankfurt Stock Exchange is playing its part, investing in new trading systems and developing a market in technology-oriented stocks to attract foreign institutional investment. Co-operation with the Düsseldorf, Munich and Berlin exchanges is also under way to improve liquidity and simplify settlement and share registration.

But the financial community is really hoping for action by the government, especially since Chancellor Helmut Kohl calls constantly for Germans to become more risk-minded and entrepreneurial. By grappling with the intractable budget deficit, the government is doing its best to trim the state's role in the economy. But tax cuts and private investment incentives are what bankers and fund managers really want to stimulate capital markets and to promote the cult of the equity.



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2 GERMAN BANKING AND FINANCE

The equity market: by Andrew Fisher

The glamorous side to selling shares

The idea that equities are a favourable long-term investment is catching on

Ever wanted to buy a snazzy sports car? Deutsche Bank has an idea for you: invest in shares...

the Telekom privatisation coming up. The question is: can that change anything? He thinks it can.

Gerhard Eberstadt, a director of Dresdner Bank, says, however, that more family-owned companies are thinking about coming to the stock market.

'The difference between shares and bonds can be a sports car in the long run'

gross domestic product is laughably low, says Thomas Neise, head of asset management at Bayerische Vereinsbank.

But one initial public offering (IPO), however big, will not itself be enough to make the German public swarm into shares.

under immense financial strain; and the efficiency of the corporate practice of keeping most pension money invested internally in so-called book reserves.

That may not be forthcoming for a while. But bankers generally expect pension funds to become part of the German financial scene.

But two key changes are occurring: the state system is

Deutsche Telekom: by Michael Lindemann

Market awaits details of giant sell-off

Analysts are optimistic about the initial share offering of around DM15bn

For almost two years now the markets have been discussing Germany's biggest ever share issue, an initial public offering by Deutsche Telekom valued at around DM15bn.

Partly because of the strict guidelines set out by market supervisory agencies such as the Securities and Exchange Commission, and partly because of the complexity of the IPO itself and the considerable pressure to make a success of it, Deutsche Telekom has so far been reluctant to reveal information about the structure of the issue.

A good deal of further information about the Deutsche Telekom's financial health is expected to emerge on June 4 when the company presents its

Table with 3 columns: Market cap (Ecu bn), Listed companies, Newly listed companies in 1996. Rows for UK, France, Germany.

the long term, then we won't succeed in making the equity market deep and broad enough for mid- and small-caps.

Thus he thinks the time is ripe now for Bonn to take action. Andreas von Buddenbrock, a director of Frankfurt-based Merrill Lynch Bank, part of the big US investment house, agrees.

It would certainly give the

1995 results. This will include, for the first time, accounts tailored to meet the standards of the US Generally Accepted Accounting Principles or GAAP.

But the world's third biggest telecoms operator in terms of sales is tapping the capital markets at a time when the telecoms industry itself is experiencing unprecedented change.

New technologies such as the Internet and the advance of mobile telephony have made developments in the telecoms business more difficult to forecast.

Meanwhile, the pressure to liberalise previously inaccessible telecoms markets around the world, offer opportunities for larger operators like Deutsche Telekom to expand.

While recent telecoms share offerings such as Telefonica of Spain and Indonesia's PT Telkom have noticeably failed to

Market plans: by Andrew Fisher

Technology on their minds

Amid the daily hubbub of share and bond trading, the managers of Deutsche Börse, which runs the Frankfurt stock and futures exchanges, mainly have one thing on their minds these days - technology.

A decision on a new electronic securities trading system to improve efficiency and liquidity is due soon. It will cost up to around DM120m, less than the originally envisaged DM150m.

At the same time, Deutsche Börse wants to beef up trading in shares outside the main Dax blue-chip index. It has already set up a new index of 70 medium-sized stocks (the MDax) as a benchmark to help big investors in their

investment decisions. Now, it is developing a new market segment to specialise in young, innovative companies with high growth potential.

This Neuer Markt (new market) is due to start in the first quarter of next year with two or three stocks.

Frankfurt's Neuer Markt will also link up with Le Nouveau Marché in Paris, which already has four companies listed, and the Belgian New Market (starting

next January) in an ambitious plan to form the nucleus of a pan-European market for smaller, technology-oriented companies.

Since German venture capitalists bemoan the lack of exit routes when wishing to sell shares in their company protégés, the Neuer Markt and its neighbouring partners should help meet their needs.

Foreign institutional investors are a particular target. Thus companies quoted on this market - their turnover will average around DM100m - will have to meet more stringent listing requirements than on the main exchange.

international accounting standards (IAS) - more disclosure-oriented than the German system - and have regular meetings with analysts.

Mr Fiemers says other European stock exchanges could later join the Euro.NM, in which investors will have the same screen access to all participating markets.

If successful, the Neuer Markt could influence the rest of the stock exchange. "Success stories on the Neuer Markt could have an impact," says Mr Francioni. "It all comes down to a good story, with proper research to bring that out."



Ron Sommer: share price will match cost of a family cinema trip

Third, the company has successfully launched Global One, a three-way international alliance with France Telecom and Sprint, the third biggest US long-distance carrier.

However, there are a number of pitfalls that could result in considerable hidden costs. Deutsche Telekom has so far refused to say how much it will cost to shed the planned 60,000 jobs between now and 2000. Already there is specula-

Continued on page 3

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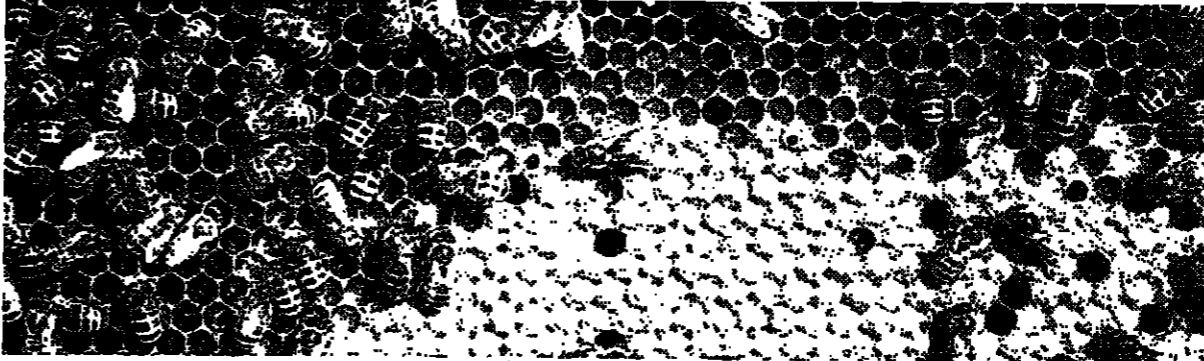
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Handwritten signature in Arabic script.

GERMAN BANKING AND FINANCE 3

Economic and monetary union: by Andrew Fisher

Preparing for Emu's take-off

Germany's banks hope that the loss of the D-Mark will be offset by many new opportunities

approaches, the prospects for the whole European banking sector are being thrown open to debate. With one currency, the euro, there will be fundamental changes in the way banks operate. Further concentration in banking seems inevitable. The manoeuvring across the border between the big Swiss banks have already raised speculation whether some of the smaller German institutions could be taken over or merged. Monetary union, or its approach, is likely to speed up this process. Just now, though, it is hard to assess Emu's impact. "I think none of us is in a position today to really work out what changes will take place in the various segments where we operate," says Martin Kohlhaussen, the chairman of Com-

merzbank. "You can't identify in bits and pieces what it will mean for the profit and loss account."

But he is positive on the overall outlook. "There has been too much talk of the disadvantages. I think there will appear one day."

Yet Hans Tietmeyer, president of the Bundesbank, believes the euro could be even more of an asset, if Emu is handled properly and with the emphasis on stability. In this case, "the euro stands a good chance of becoming an even more important investment and reserve currency than the Deutsche Mark."

To make sure they can prosper without the D-Mark, German banks are scrambling to position themselves ahead of Emu.

Westdeutsche Landesbank, the big public sector bank, is developing new foreign currency products which it will offer clients from its growing London-based investment banking operation. Both Deutsche Bank and Dresdner Bank are building up their own investment banking units, enlarged by big UK acquisitions, while Commerzbank is going it alone.

German banks' investment banking strategies are not just based on the expectation of Emu, but they are being adapted in line with the prospect of currency union. This is true in other sectors as well, from corporate finance to pri-

vate investment advice. Increasingly, banks will have to take account of the wider European dimension in meeting customers' needs.

At this stage, banks are still finding it hard to persuade many of their corporate customers - especially smaller and medium-sized ones - that now is the time to start preparing for Emu. They are trying to convince them at least to have some idea by the end of this year how their businesses could be affected by the coming of the euro.

Information booklets on how to prepare for Emu and what is likely to change in terms of markets, strategy and capital spending have been issued to clients by the banks. While awareness is rising, it is still below the level banks think desirable. "But things seem to be changing," says Mr Rem-

spurger. "Companies are telling us more that they want practical advice."

Much of the ignorance about Emu reflects the lack of convincing political argument. Politicians such as Theo Waigel, the finance minister, have argued strongly that the Emu convergence criteria in the Maastricht treaty must be strictly observed and the 1999 starting date maintained. But they have been less adept at telling people just what Emu will mean for them and what benefits it might bring.

This may be because the advantages will take time to show through. At present, the emphasis - in Germany, as elsewhere - is on cutting budget deficits and public sector debt to make sure the criteria can be met. And since Chancellor Helmut Kohl's vision of monetary union is inspired



Helmut Kohl: his vision of European monetary union is inspired more by politics than by economics



Martin Kohlhaussen: too much talk of the disadvantages



Hans Tietmeyer: euro could become a valuable asset

more by politics than economics, putting across the wisdom of embracing the euro and discarding the D-Mark is no easy task.

But Martin Hüfner, chief economist at Bayerischer Vereinsbank, warns against making the case for Emu appear too rosy. "It is dangerous to regard Emu as a job creator" it will make governments cut deficits and help lower labour costs, especially in Germany, but this in itself will not help the unemployed.

"Emu should not be used to promise more jobs. Companies will carry on their rationalisation programmes and this will lead to more productivity, not more jobs," he adds. Employment opportunities will come from more deregulation and the introduction of more flexibility into the economy. Emu's contribution should be to ensure stable growth with low inflation.

The capital markets at least seem to have stopped worrying about Emu. "I have the impression that markets have now got used to currency union," says Mr Hüfner. "About six months ago, they thought it would not happen. Now, I don't think there will be any major upsets on the markets when Emu comes."

That still leaves the reservations of the banks' other customers. But banks seem confident that they can overcome these, too. The politicians have left much of the job of persuading people to accept Emu to the banks any way.

"Customers are demanding information," says Klaus Friedrich, Dresdner Bank's chief economist. "There is plenty of scepticism but no insurmountable wall of rejection."

Telekom sell-off

Continued from page 2

tion that, to keep up with competitors like British Telecom, the company will in fact have to shed 90,000 jobs, bringing its workforce down to 140,000 instead of the projected 170,000.

This year alone Deutsche Telekom will have to spend an unexpected DM10bn to accelerate the digitalisation of the German telephone network. The delay in doing this has proved to be a significant oversight, preventing the company from offering a number of more sophisticated telephone services - such as an answering machine in the network - and making it look second-rate compared to international competition in the US and the UK.

While international comparisons, especially with the UK, Europe's biggest liberalised market, suggest that an incumbent operator such as Deutsche Telekom should be able to retain the biggest slice of the telecoms market, this is by no means certain.

Competition has already come much sooner than expected. The so-called alternative telecoms networks belonging to the electricity utilities and Deutsche Bahn, the federal railways network, will be opened to Deutsche Telekom's competitors on July 1 this year. This is a development which the company did not anticipate.

Furthermore, Deutsche Telekom has still not received approval for its aggressive corporate discount scheme which would allow the company to offer its largest and most lucrative corporate clients a rebate of up to 39 per cent on their phone bills.

The European Commission, spurred into action by companies such as RWE and Mannesmann who want to compete with Deutsche Telekom, has suggested that the rebates be delayed because they threaten to distort competition. The Commission has suggested

that the tariffs be introduced on January 1, 1997, but this delay has already caused havoc with the company's revenue forecasts.

And, despite Deutsche Telekom's best efforts, the discussion about whether the company should be forced to sell off its cable network has also failed to die down.

The 1995 results are expected to include as many provisions as possible to present the best possible outlook for 1996 and beyond.

Joachim Kröske, finance director, has already indicated that 1995 profits would be higher than those reported in 1994 but that they would fall in 1996, in part because of the first-time introduction of VAT, which Deutsche Telekom may not pass on to its customers, and because of a range of rebates which will initially depress revenues.

Apart from that Ron Sommer, who took over as chief executive in May last year, has indicated that the shares would be priced "around the cost of a family trip to the cinema". How the issue is priced will also depend heavily on the second tranche of Deutsche Telekom shares, also expected to be worth about DM15bn, which will be issued before 1997.

The banks are also working on schemes to make Deutsche Telekom shares more attractive to private investors, who have traditionally avoided equities in favour of more conservative investments such as bonds.

Deutsche Telekom has so far said that it expects to list shares in Frankfurt and New York, with about two-thirds being taken up by the German market. Listings in London and Tokyo are also being considered.

Since Deutsche Telekom has adjusted its accounts to meet GAAP standards, Mr Kröske said the company was also considering a stock exchange listing in Canada.

PROFILE Friedel Neuber

Orchestrator of expansion plans

As the head of Germany's largest public sector bank, Friedel Neuber finds himself both orchestrating its expansion and defending its existence.

Not that Westdeutsche Landesbank, Germany's third biggest bank, is likely to please its private sector rivals by pulling in its horns. With total assets of around DM430bn, operating profits last year of DM1.1bn (up 58 per cent) and a growing presence in investment banking and asset management, WestLB is a powerful force in German and international finance.

In moving further beyond its Düsseldorf base, WestLB is simply following its customers, says Mr Neuber. Thus it is building up its investment banking business in London, though without big-ticket acquisitions, moving deeper into Asia and forging links with other German regional banks. It also has sizeable stakes in German industry.

But some of WestLB's commercial banking rivals have cried foul, alleging that its capital has been unfairly strengthened by public funds

in the form of housing finance assets.

Three years ago, the German Banking Association, representing private sector banks, filed a complaint - also mentioning other regional state banks - to the European Commission. A decision could come soon.

Mr Neuber, however, is unmoved. A seemingly unflappable man not given to wordiness, he says the complaint is unjustified and is confident it will not be upheld. "We have three banking pillars in Germany and they all work very efficiently. There are the Sparkassen [savings banks], which are in the public sector, the private banks and the co-operatives. This makes for a very efficient banking network. I don't know why people question it; it's the best possible structure."

This structure goes to the heart of the role played by WestLB in German banking. Owned by the state of North Rhine-Westphalia and regional savings associations, it is by far the largest of Germany's Landesbanks, which function as central banks for the savings

movement and fund-raisers for regional government and other public bodies.

Critics of the Landesbanks say they have access to capital at cheaper rates than other banks and are less subject to market forces. Mr Neuber denies this, at least in WestLB's case. Germany's banking structure is envied the world over, he asserts, and says questioning one of its main pillars (the public sector, including savings bank) is something he regards as "irresponsible".

According to Mr Neuber, the German public sector, which spans regional state governments and local authorities, needs a range of financial services like any other customer. As European markets develop further, especially with currency union, this will become even more important. Mr Neuber believes that the federal and state governments support his view. "I assume these messages will be taken seriously in Brussels," he says.

The approach of European monetary union is a vital aspect of WestLB's strategy under Mr Neuber. The bank's

investment banking drive, centred on London through its West Merchant Bank subsidiary, is aimed at providing German and European corporate and other customers with access to a wide range of financing facilities.

This means moving beyond the D-Mark sphere into foreign currency bond, derivative and equity products. The bank recently bought Panmure Gordon, the UK stockbroker, for around £30m. It plans to spend approximately DM200m on developing new non-D-Mark products for its clients ahead of Emu.

Mr Neuber sees Emu as one of the main challenges for WestLB and its competitors. "The banking market in Europe will change profoundly. Often, it is the risks that are seen in such changes, not the opportunities. We see the chances and will further improve our position in the European market."

That does not sound like a bank cowed by its private sector rivals. In his low-key way, Mr Neuber has served notice to other banks that



Friedel Neuber: Emu will change the banking market profoundly

WestLB intends to grow more - not less - vigorously. A third of its profits come from outside Germany and the bank has also identified Asia and Australia as key markets. It has branches in Tokyo, Hong Kong and Singapore and

plans to upgrade its representative offices in Shanghai, Sydney and Bangkok to branch status. South America is also eyed as a more promising market.

Andrew Fisher

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A sophisticated new electronic trading system planned, with a decision in a few months on which system to adopt. The system - which accounts for 10 per cent of share dealing in Germany - is already advanced technologically compared with other systems including London. "We have a competitive edge. We really use it."
However, in terms of a number of companies going well beyond such countries as the US. Last year saw a record volume of new IPOs and this year has seen the rise of the Telecommunications IPOs to add to the list of initial public offerings. The willingness of firms to go public is a sign of the going public and the prospect that European companies will change their securities strategy. Dealings in the market - the euro - will be a portfolio and the market will see a number of companies and their US and European counterparts. Investors will use a number of new and old markets, including the emerging market countries.



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6 GERMAN BANKING AND FINANCE

German banks in the UK: by Nicholas Denton

New invasion of London

Since 1989, German banks have been stepping up their offensive in investment banking

The City of London has long been something of an offshore financial centre for Germany. Even the most English of merchant banks - Schroders, Kleinwort Benson and S.G. Warburg as it was originally titled - betray in their names the German origins of their founders.



Ronald Schmitz Deutsche Bank led the way in 1989

London, and build up an equities operation. Where Deutsche Bank leads, other German banks follow. In 1995, Commerzbank acquired 75 per cent of Jupiter Tyndall in a deal valuing the UK fund manager at \$174m.

Public finance: by Peter Norman

Deficit damages Emu hope

A lot needs to be done to prepare the federal states for economic and monetary union



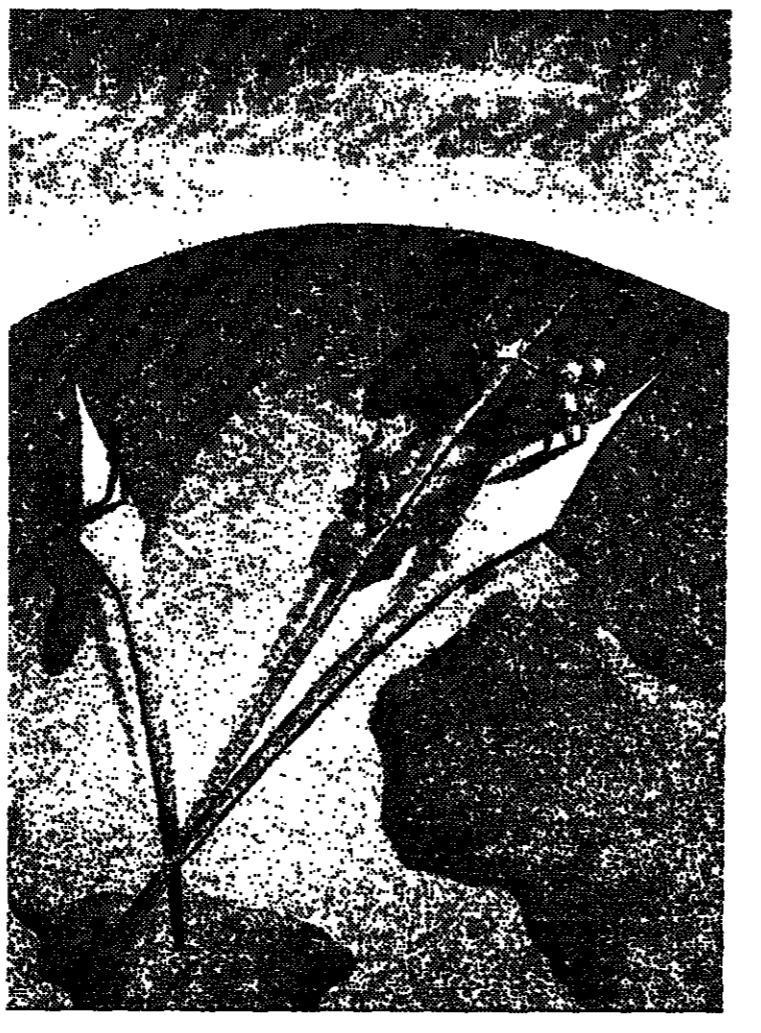
Theo Waigel: tight restrictions on government spending

Germany's public finances have moved swiftly from being a problem for a state of crisis this year. The first sign of trouble came early in January, when, against all expectations, Bonn disclosed that the overall public sector deficit in 1995 was more than 3 per cent of gross domestic product.

Table: How Bonn financed the 1995 federal deficit (DMbn)

below the level forecast last October. For next year, the group predicted that revenues would total DM841bn, implying a shortfall of DM66.5bn, attributable to slower growth compared with the previous forecast for 1997 made in May last year.

economic conditions continue to be unfavourable. January's forecast of 1.5 per cent real growth this year was halved after three months. Growth is now expected to be about 0.7 per cent, although with some pick up after mid-year.



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Asset management: by Andrew Fisher

Fight for a slice of the cake

The banks are aggressively seeking bigger shares of a growth market



Gerhard Eberstadt: "the time of the boutiques is ending"

In the worldwide competition to manage other people's money, German banks are becoming increasingly aggressive. Every bank worth its name, it seems, has bought, intends to buy or has linked up with a foreign asset management specialist.

Such funds (Pensions-Sondervermögen) could be a shot in the arm for foreign asset managers, says Lutz Wille, Mercury's head in Germany. "These are going to come and they will require more investment in European equities. This could help revitalise the German equity market."

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■ **Venture capital:** by Andrew Fisher

Seed finance feels the cold

A risk-averse culture is just one of the obstacles in the way of fledgling enterprises

The idea of giving a financial boost to struggling entrepreneurs - especially in the high-tech sector - and earning a handsome profit on the few who succeed is far less accepted in Germany than in the US or Britain. There is no shortage of capital, especially in the form of loans, and there are plenty of budding young businessmen and businesswomen. But putting them together to create a thriving venture capital industry has proved difficult.

The number of true venture capital companies in Germany can more or less be counted on two hands, although there are many operations (some involving the big banks) taking stakes in companies that have already passed their first financial hurdles. Federal and state programmes also exist to give new businesses a helping hand, though often not much beyond the start-up stage.

Among the venture capital leaders are Atlas Venture, Techno Venture Management (TVM), Apex Partners and Technologieholding, all with German operations based in Munich. International investment banks such as Goldman Sachs and Deutsche Morgan Grenfell are also becoming more involved.

But venture capital has yet to make a real breakthrough. The problem is basically threefold: high government taxes and excessive regulations tend to hold back new firms; there is a lack of exit possibilities, such as the US's Nasdaq stock market, to enable investors to take profits; and many small or medium-sized firms are unwilling to sell a majority of shares to investors.

Yet despite the handicaps, venture capital is gaining more attention in the business and financial community. Politicians, too, are more alert to the opportunities the sector can bring, inspired by its job creation record in the US. The debate over whether Germany still has enough innovative strength to keep industry growing has also placed more focus on venture capital.

Thus the government has been thinking hard about ways to channel more money into small enterprises. So far, the results have been meagre. However, venture capitalists are pinning more hopes on the broader policy moves aimed at lowering taxes, cutting social security costs and deregulating the economy - all of which would give companies and investors a freer environment in which to operate.

"The awareness of venture capital has certainly increased recently," says Werner Schauer, a partner in the Dutch-owned Atlas Venture. "You can see this in Bonn. But it's one thing to formulate a programme and another thing to implement it. It takes a long time and the results are not likely to be startling."

Mr Schauer's fellow partner, Rolf Schneider-Günther, believes politicians should concentrate on improving overall conditions for business, especially on the tax side. Corporate and other taxes can take around 60 per cent of profits in Germany. "There should be tax advantages for young businesses in Germany to give them time to get properly established."

Although Germany is generally regarded as trailing the rest of the world in such new sectors as biotechnology and information technology, there are plenty of small firms in these areas. Few have the potential to become significant players, but there have been notable successes. Yet by US standards, the financing provided in the form of venture capital is feeble.

Mr Schauer points out that in the US, some \$5bn is invested every year as venture capital for small and promising companies - more than half in high-tech fields and nearly half in start-up and seed finance. Around 8,000 firms that have

been financed through venture capital create 200,000 new jobs each year. By contrast, the German figures are tiny. "In Germany, there is hardly any venture capital available," says a study produced by two German management consultancies, Baumgartner and Partner and Mackewicz, Degen and Partner. "Frequently, up to 90 per cent of companies looking for capital give up at the first attempt."

The total venture capital portfolio in Germany is put at DM5.6bn invested in nearly 3,000 companies, according to figures from the German venture capital association (BVK). But much of this reflects funds to help companies expand rather than true seed or start-up financing, which totals only around 7 per cent of this figure, or about DM450m.

According to Mr Schauer, last year only DM114m was invested as seed and start-up capital in Germany, though funding of more established businesses raised total investments to around DM1bn.

One reason for the lack of dynamism is the over-enthusiasm of the late 1980s in which many investors burned their fingers. People were rather blue-eyed when looking at the US," says Mr Schauer. There were plenty of technology-oriented companies in Germany, but few had proper marketing or management experience - "people invested blindly in technology".

■ **Stock options:** by Wolfgang Münch

Few signs of the 'fat cat'

Many companies remain resistant to the idea of using share schemes to motivate managers

German attitudes towards money and wealth are currently subject to potentially far-reaching change. In a country where wage differentials between top executives and middle managers and between qualified and unskilled workers are among the lowest in the world, some companies are now trying to break free, moving towards performance-related pay, including executive share options.

Daimler-Benz and Deutsche Bank caused a great deal of surprise earlier this year when they introduced executive stock options for their senior management. The intention is to ensure that management and shareholders pursue the same interests, but also to offer salary packages that are internationally more competitive.

A Deutsche Bank manager said that the existing remuneration packages were insufficient to attract first-rate international bankers. Although top German bankers receive relatively generous basic salaries,

their total pay packages are generally lower than those of their American counterparts, because they contain no performance-related element.

Yet, the rush towards options must be seen only as a first - even, perhaps, a timid - experiment. Deutsche Bank has yet to give details about the structure of its options plans, but at Daimler-Benz the scheme is modest and highly unlikely to give executives one-million D-Mark salaries. One board member calculated that on a reasonably optimistic assumption about the share price, the package may be worth some DM60,000 per annum - hardly enough to change the way executives manage their company. Furthermore, basic pay will not be going down after the introduction of the share options, a sign that management does not entirely trust the process yet.

Although the packages are modest, the introduction of executive stock options at two of Germany's best-known companies is likely to reverberate across the German corporate sector. They form part of the change from a culture of co-termination and the pursuit of multiple corporate goals towards the acceptance of shareholder value as the guiding corporate principle.

This change in attitude signals what may turn into a profound upheaval in corporate customs and governance. It will take time for German executives to earn multi-million D-Mark salaries, but it may take more time still for share options packages to find a wider acceptance in German society. At Daimler-Benz, trade union representatives vigorously opposed the move. A manager who stands to make millions if the share price moves up, may be more keen to adopt restructuring measures than a manager with a fixed pay, they argued.

An alternative method of linking executive pay to share price performance has been introduced by SGL Carbon, the carbon and graphite group. Profit-related rewards already account for up to 50 per cent of total pay but, in addition, the company is introducing what it calls a long-term incentive plan. Under this plan, the top 20 executives receive extra income from a special fund, as long as the company achieves annual profit growth of at least 5 per cent, with a return on capital employed of at least 20 per cent.

The idea of long-term incentive programmes is to combine Germany's traditional emphasis on long-term planning with

a more hard-nosed shareholder value orientation. Despite the trend towards shareholder value, German managers remain long-termist in their perspective. Although the definition of "long-term" has been changing - perhaps denoting a few years rather than a whole generation - the idea of having their performance measured quarterly remains anathema to most executives.

As well as performance-related pay elements, SGL Carbon is introducing a stock options plan that is similar to those at Deutsche Bank and Daimler-Benz. The rush towards stocks options comes despite frequent claims that German corporate law does not permit, or at least encourage, such alternative forms of remuneration. Stock options certainly require some unusual financial engineering - Daimler-Benz, for example, will not issue stock options directly, but via convertible bonds.

Others have argued against stock options on the grounds that German tax law is too inflexible. Stock options generally throw up the problem of defining the point at which a profit arises. But in Germany, as in other countries, the trend has been to tax profits when they fall due; in the case of



Daimler-Benz caused a great deal of surprise earlier this year when it introduced executive stock options for its senior management.

options, at the time when they are exercised. Income from options is theoretically subject to social security payments, but since executive pay usually exceeds the upper limit for social security contributions this problem does not arise in practice.

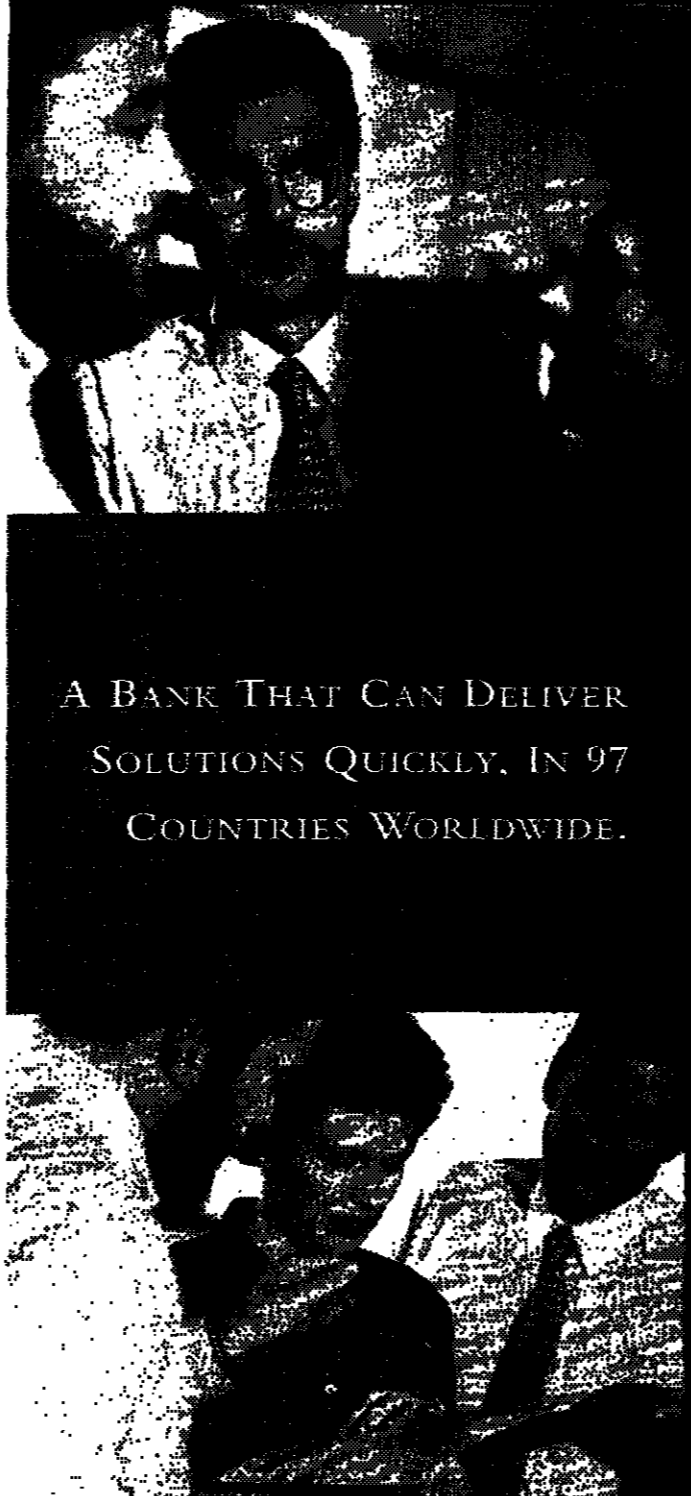
With the introduction of stock options or other forms of executive pay linked to performance, companies are now more keen to introduce strict and clearly defined targets for return on capital employed. Downsizing itself from an integrated technology concern into a transportation company, Daimler-Benz is getting rid of divisions that do not meet the self-imposed performance target of a return on capital of 12 per cent.

Chemical and pharmaceutical companies are publicly pondering the benefits of demer-

gers, a concept that until recently they would have dismissed out of hand. More companies are introducing the stricter and more shareholder-friendly US accounting rules.

As German companies are becoming more international, their financial culture is also changing rapidly. This change is part of a wider shift in public attitudes towards money and finance. Large privatisations, such as the forthcoming share sale of Deutsche Telekom and a growing number of initial public offerings, are slowly turning Germans from a nation of savers into a nation of shareholders. But the sharply divided vote in the supervisory board of Daimler-Benz over the issue of executive stock options should also serve as a reminder that this transition will be far from smooth.

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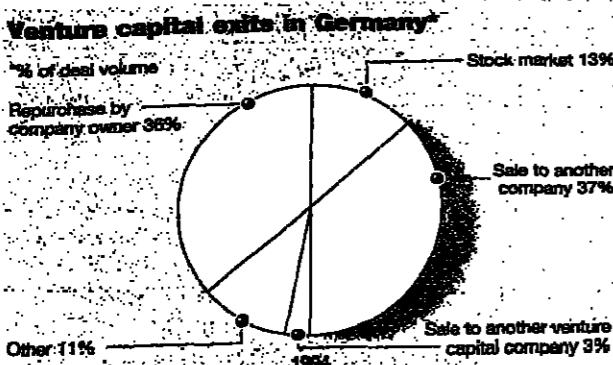
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A sophisticated new electronic trading network is planned, with a decision in a few months on which system to adopt. The Frankfurt - which accounts for some 70 per cent of share deals in Germany - is already an advanced technologically compared with other markets including London. "We do have a competitive edge in reality use it."

However, in terms of the number of companies quoted on the market, Germany is well behind such countries as the US. Last year saw a record volume of new listings but this year has seen a fall. The Frankfurt stock exchange is the focus of initial public offerings (IPOs) to pick up momentum. The willingness of family-owned companies to list on the stock market is part of the problem. "We have to encourage them to do so," says a German venture capitalist. "The European market is still very fragmented. We need to change the way we think about public offerings in Germany. We need to encourage more companies to go public. We need to encourage more companies to go public. We need to encourage more companies to go public."

Andrew Fisher

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8 GERMAN BANKING AND FINANCE

The bond market by Conner Middelmann

Bundesbank grudgingly relaxes stance

Competition in Europe is forcing the adoption of long-resisted innovations

The prospect of increased competition among Europe's financial centres with the creation of a single European currency has sparked a frenzy of innovation in Germany's bond market, ushering in long-overdue reforms.

The Bonn government has come to realise that if Germany is to play a significant role on the European financial scene after 1999, it must act to bring its capital markets in line with its neighbours by revamping instruments and market practices.

And even the Bundesbank, which has always prided itself in its fierce independence from any political or commercial interests, is grudgingly ushering in bond market innovations to help boost Germany's regional competitiveness.

In a crucial concession to Bonn and the financial markets, it recently relaxed its hitherto staunch opposition to money-market instruments - which it always argued would hamper its monetary policy.

Moreover, it has always jealously guarded its independence of action in the money market and has feared that treasury-bill issuance by Bonn might increase government interference in the monetary policy-making process, since changes in short-term interest rates by the Bundesbank would directly affect Bonn's funding costs.

"The Bundesbank's critical attitude towards the short-term financing of long-term credit demand is widely known [and] our reservations, based on monetary policy considerations, remain in place," Mr Johann Wilhelm Gaddum, vice-president of the Bundesbank, said recently. However, he conceded: "We see, of course, that the transition from the D-Mark towards the Euro creates a new situation... We will have to examine how to adjust to this development."

As a compromise he suggested the creation of a short-term market that would be large enough to operate efficiently, yet not so large as to destabilise monetary policy.

The move comes after years of lobbying by Germany's banking and fund management industry for a more developed, liquid yield curve ranging from short-term treasury bills to 30-year bonds.

In its latest annual report, published this month, the German Banking Association, which represents the private sector banks, issued an urgent plea for the reform of the German capital market ahead of European Monetary Union. Arguing that Germany would lose its greatest asset - the D-Mark - with the advent of Emu, the association warned that the country would be left with no advantages over its neighbours unless its capital market were overhauled - fast.

"Germany can only remain competitive in a unified European financial market if it can offer competitive products," it said.

It also warned that, as long as short-term paper was not available in sufficient volume, a well-rounded capital market could not develop: "There is a danger that Germany will continue to decline in attractiveness as a financial centre. London and Paris offer a complete interest-rate spectrum. If Germany's financial market deficits are not remedied quickly, there is little hope of developing the necessary infrastructure and know-how for short- and long-dated bonds before the introduction of a single European currency."

Most European countries regularly issue money market debt, highlighting Germany's competitive disadvantage once Emu takes effect. "If Germany doesn't offer money market instruments, international investors will go to those markets that do," says Mr Christoph Anhamm, bond strategist

at Union Bank of Switzerland in Frankfurt. "But instead of trading just in short-dated instruments, they might end up doing their major business there - which would be a great loss to Germany."

The Bundesbank is expected to announce the issuance of six-month money market bills as soon as the third quarter. These bills, sold at a discount to their par value, are expected to be issued at quarterly auctions. The Bundesbank is not expected to undertake market-smoothing operations - partly to avoid any impression that it is using the bills to signal monetary policy intentions.

The government has already allowed for DM450bn of gross issuance of bills in its budget, which means that around DM20-30bn would be outstanding at any given time - a volume the central bank is thought to find acceptable.

The Bundesbank has also

expressed an interest in issuing two-year fixed-rate notes - Schatzanweisungen. That would provide an important benchmark in a market where the shortest maturity of tradable bonds currently issued by the government is five years.

In return for accepting the issuance of money-market paper, the Bundesbank is likely to press Bonn for more issuance at the very long end of the yield curve - the 30-year sector, which is also much better-developed in other European markets.

The German government last issued 30-year bonds more than two years ago when yields were close to bottoming; since then, that part of the yield curve has all but dried up.

"The issuance of 30-year bonds, or the increase of existing issues, should not be neglected - even if the volume is low," Mr Gaddum said recently.

The Bundesbank has also been exhorting Bonn to concentrate federal funding and the financing needs of its special funds - such as the German Unity Fund or the Fund for Inherited Debt (Erblassens-tilgungsfonds) under one roof, in order to boost liquidity all along the yield curve.

There has even been talk of making government bonds strappable - where a bond is separated into its individual coupon and principal payments, which can be separately held and traded in their own right as zero-coupon bonds.

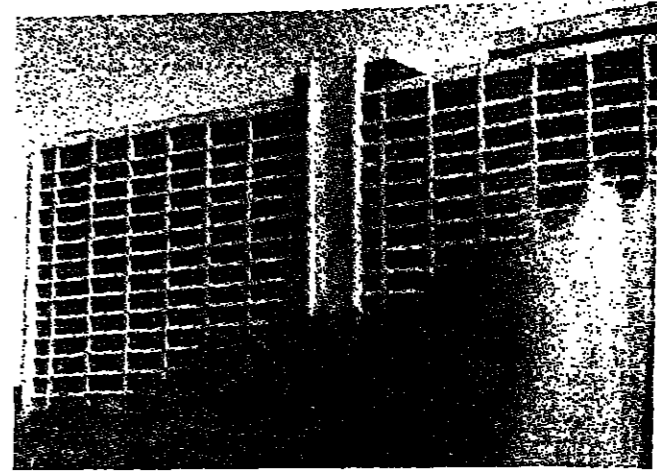
The benefits to the government of these innovations are likely to be substantial, if nothing else because of the cost savings they represent.

"It is in the interest of the government to establish an efficient market, because the more liquid, transparent and professional it is, the cheaper over the long-term the funding

should be," says Mr Werner Ruppel, bond market strategist at Kleinwort Benson Research, the research arm of Dresdner Bank in Frankfurt.

For instance, the current steeply upward sloping yield curve means that because of the 315-basis-point gap between six-month Fibor and 10-year yields, Bonn could save some DM900m each year in interest payments, he says. Likewise, if the yield curve is inverted, a liquid 30-year sector would enable Bonn to get the cheapest funding at the long end.

Investors are likely to delight in the creation of money-market paper. German money market funds, which were first permitted - again grudgingly - by the Bundesbank in August 1994 have suffered from a lack of supply. Amid a dearth of high-quality floating-rate notes or commercial paper, international central banks, which were keen



The Bundesbank has eased its opposition to money-market instruments

buyers of the Bundesbank's previous, short-lived experiment with money market bills two years ago, are also likely to show lively interest.

With only 18 months until the start of the first stage of EMU, observers say Germany's Big Bang will be a race against time. However, some are confident that Germany will make it. "I'm optimistic that Ger-

many will attain an international standard very soon," says Mr Urban Gajewski, head of money market securities at Commerzbank in Frankfurt. "The most important thing is that liquidity will be maintained - there is a lot of demand out there, but the government will need to commit itself to regular issuance if that interest is to be upheld."

PROFILE Ernst Welteke

Thick-skinned banker on thin ice

Ernst Welteke has exchanged the busy-busy of politics for the complexity of central banking. As president of the regional central bank of the state of Hesse - in which Frankfurt is located - he both sits on the policy-making council of the Bundesbank and plays an important role in promoting the interests of the financial community.

To him, weighty issues such as European monetary union, German capital markets and monetary policy are now part of everyday life. The regional central bank (Landeszentralbank in Hesse), which handles payments of some DM600bn a day, is a key part of Germany's central banking system, radiating from the Bundesbank on the city's outskirts.

After four years as Social Democrat (SPD) minister of economics and then finance in the Hesse state government in Wiesbaden, Mr Welteke, 53,

took up his present position in April, 1993. He says he enjoys the change.

Banking holds fewer daily irritations: "In politics, you have to take account of the media - more than in business - but you also have to deal with the opposition, parliament and the party organisation."

Dealing with bankers can have its sticky moments, though most talking is done behind closed doors. Mr Welteke says he is concerned to help promote the concept of Finanzplatz Frankfurt (Frankfurt as a financial centre), but not to accede to every demand from the banks.

"I don't agree with everything the financial community asks for. We have to see if demands are justified or not," he says.

Being confronted with demands that it should do more to promote German financial markets is a problem the Bundesbank

faces as a whole. "These demands are not easy to meet. Such a role can collide with the basic task of the Bundesbank to keep monetary conditions stable and preserve its independence and neutrality," Mr Welteke says.

Germany's federal structure, however, means that the way the financial community's objectives are viewed may differ from region to region. "Although Finanzplatz Frankfurt and Finanzplatz Deutschland are largely synonymous, they are not identical," Mr Welteke explains. "The way we regard banking developments in Frankfurt is not always the same as the view from, say, Hamburg or Munich."

When necessary, Mr Welteke is prepared to stick his neck out. Last November, for example, he urged the Bundesbank to drop its opposition to government issues of short-term debt. At a

meeting with the foreign press, he said this was necessary to make Germany more competitive as a financial centre ahead of Emu when the D-Mark would be replaced by the euro.

The Bundesbank is now reconsidering its position on debt with maturities of under a year. But at the time, it rapped Mr Welteke over the knuckles.

According to Mr Welteke, short-term paper attracts interest from institutional investors and would reduce financing costs. Mr Welteke, however, supports the Bundesbank view that long-term issues should take precedence for reasons of monetary stability. "The weight must remain on the long-term side. Short-term issues must be limited in volume but sizeable enough to provide a market," he says.

He admits that without the prospect of Emu, the matter may not have arisen:

countries such as France already issue short-term paper and Germany could, therefore, lose out after the single currency is introduced. "I don't know if we would take this position if we did not know there would be a short-term market when the euro comes," he says.

Mr Welteke also sees the need for moves in other areas. While stressing the benefits to Germany of the stable D-Mark, the Bundesbank's status and a high savings rate, he says that:

"globalisation, the revolution in technology and changing investment behaviour bring huge pressures for change".

These forces highlight structural problems such as Germany's low stock market capitalisation compared with other countries. "We need more quoted companies," Mr Welteke says. "We have certain problems with the links between banks' stakes in industry, their use of proxy



Ernst Welteke: when necessary he is prepared to stick his neck out

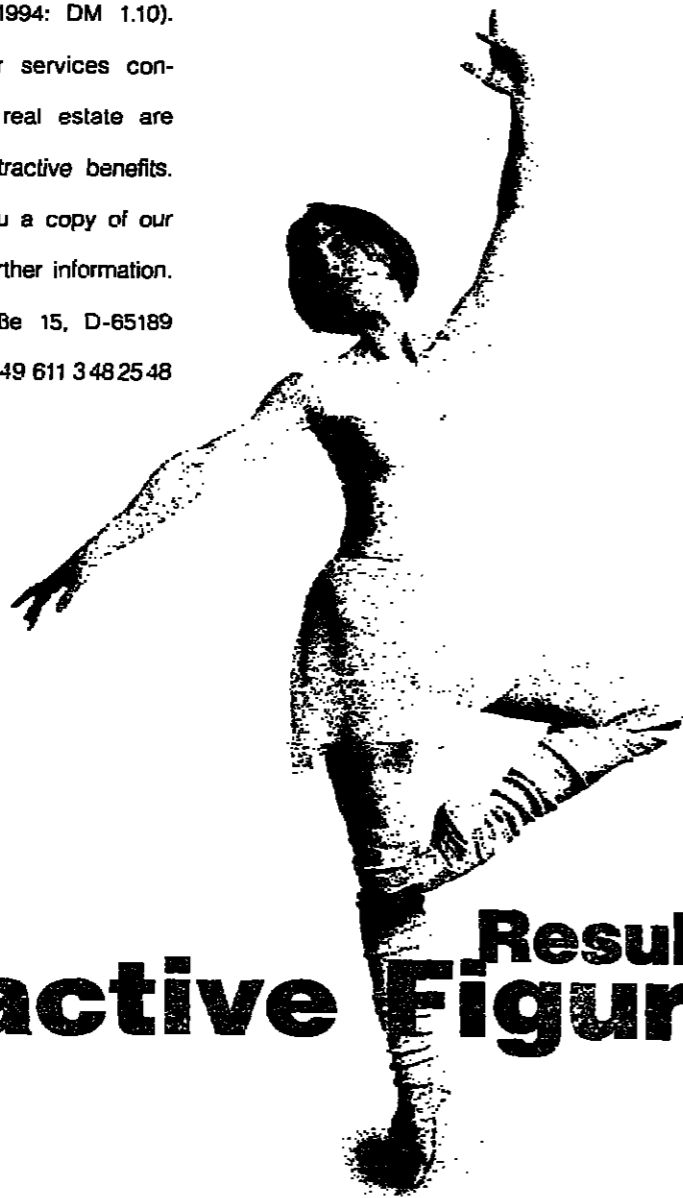
votes [at annual meetings], their loans to companies and personal links. One can ask if all this is favourable." To his neighbours in the big commercial banks, these are sensitive points. But Mr Welteke has kept some of his politician's thick skin. He may well continue to need it.

Andrew Fisher

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السيد محمد الياحي

10 GERMAN BANKING AND FINANCE

Insurance: by Trevor Petch

Deregulation rocks the market

Since 1994, competition has overturned the insurers' traditional working practices

With annual premium income of DM255bn (£10bn), the German insurance market is the largest in Europe, home to the largest European insurance company, Allianz, and the world's largest reinsurance company, Munich Re. It is also the insurance market in which the changes wrought by the creation of the Single European Market on July 1, 1994 are likely to be the most profound. Traditionally, Germany has had the most tightly controlled insurance industry in Europe. The Federal Supervisory Authority in Berlin, the BAV, exerted strict control over the operations of insurers and over pricing and policy conditions.

All this changed on July 1, 1994. Regulation of the insurance industry is now primarily through monitoring of companies' solvency, the method traditional in the UK, rather than through prior approval of the nuts and bolts of their business. Because the market is more open to penetration from abroad than ever before, German insurers are facing new challenges of product innovation and full-price competition. The changing market comes at a difficult time. Overall growth in premium income last year is estimated at only 5.6 per cent, down from 9.5 per cent in 1994, when there were heavy increases in motor insurance rates. Almost one percentage point of the 1995 increase resulted from the introduction of compulsory nursing care insurance, although only a minority of Germans buy their nursing care protection from the private sector insurance market. At the same time, the slowdown in the German economy is holding back growth in life insurance. Premium income is still increasing, but the number of new policies signed annually is beginning to fall. This year, growth is expected to slow further to about 5 per cent, while some analysts predict that there will be no growth in the non-life insurance market at all.

German insurers have embarked simultaneously on a price war in both motor and industrial risk insurance. In the past, this would have been unthinkable. It had long been an open secret that low insurance rates for industrial business were effectively cross-subsidised by the handsome profits that could be expected from motor business and other personal lines. But in the years 1990 to 1993, German motor insurers lost a total of DM6bn (£265m), not least because of a surge in car thefts for export to eastern Europe. One effect was also to stimulate increases in rates for industrial insurance as well.

In 1994, after heavy increases in motor premiums, profits for the motor sector were DM1.4bn (£585m). Last year, they were close to DM1bn more than that, despite an increase in overall premium income of only 2.7 per cent.

Deregulation of motor liability ushered in a rebate war among German insurers last year as they began to offer sizeable discounts to women drivers, say, or to owners of cars used only for low mileages. Despite the overall increase in profits from the motor sector, motor liability returned a small overall loss.

Next year, the motor market will become more unstable still. Insurers are preparing to scrap the traditional tariff structure for motor liability based on engine capacity in favour of a system based on car model and other factors. The result will be to introduce more flexibility, and more scope for competitive discounting.

Motor is also one of the areas

in which foreign insurers see an opportunity to break into the market. A number are trying to exploit telephone sales, the method through which Direct Line has revolutionised motor insurance distribution in the UK. Among them are AXA of France, Zurich and Winterthur of Switzerland and Sun Alliance of the UK.

One or two German insurers have also entered the field, including Colonia (ultimately owned by UAP, the largest French insurer), and Provinzial, a regional insurer owned by the savings banks of North Rhine-Westphalia. Although the initial costs of telephone sales operations are high, they pose a significant long-term threat to the traditional insurers, which incur high costs because of their large agency networks. Since their income is from commissions, agents also tend to be volume rather than profit oriented.

The potential for telephone sales may, however, be restricted by Germany's existing low-cost motor insurance specialists, some already selling direct. At the same time, premium income for fire insurance is falling in absolute terms - by about 1.6 per cent last year - with income from industrial fire business unchanged at DM4.2bn (£1.9bn).

As a result of historically low premiums, German industry has tended to be insulated from the trend elsewhere towards increasing self-retention of risk, while their insurers have been insulated from

foreign competition. This, too, has begun to change. German insurers were profoundly shocked in October 1994 when the industrial giant Siemens placed its insurance programme in the US and London markets, prompting other leading companies to do the same.

A further blow to the traditional system was struck last year when Allianz announced the introduction of its own tariff system for industrial risks, and other leading insurers of industrial risks, such as Gerling and Colonia/Nordstern, almost immediately followed suit.

These steps precipitated the collapse of the so-called Konsortialkommission system (or Kokos) - committees of insurers that determined the insurance rate for all corporate risks of more than DM1bn. Their main effect was to enable the middle range of German insurers to take a share of industrial risk business, while ensuring that the German market as a whole provided the insurance capacity that its domestic clients required. The collapse of the Kokos system is a profound threat to the position of "me too insurers".

It has also ushered in a new wave of competition. With risks open to competition from different tariff structures set by leading German insurers and more rivalry from foreign insurers, prices are falling sharply in some cases by 20 per cent or more.

Results last year were not too bad, since there were no catastrophic storms or floods, and relatively few large fires. Even so, the loss ratio was barely changed from 1994 at an uneconomic 75 per cent of premium.

This year has already seen the disastrous fire at Düsseldorf airport, which killed 16 people and caused an estimated DM250m in insured damage.



The towering headquarters of the big banks make Frankfurt look more American than European. The city is home to more than 420 banks

Frankfurt: by Andrew Fisher

Germany's 'money town' comes of age

A focus on IT is confirming the city's role as an international business capital

Money dominates the skyline of Frankfurt, the compact city of fewer than 700,000 people that is Germany's financial capital. The towering headquarters of the big banks make Frankfurt look more American than European. The striking new Commerzbank building, still topped by cranes but already dwarfing its neighbours, will be completed next year. There is little trace of the old city where Goethe was born and the Rothschilds learned the banking business that would make them a legend the world over.

But having suffered from wartime bombing, which destroyed its medieval heart, and from over-hasty and insensitive rebuilding, Frankfurt is now one of the world's most successful cities. It is home to more than 420 banks, including Germany's three biggest commercial banks; it has Europe's second largest stock exchange and its airport, station and motorway network are among the busiest on the continent; it is one of the world's leading trade fair sites.

On top of all that, it has not one central bank but three - a real one, a regional one and one in waiting. The stabby, grey headquarters of the Bundesbank, one of the world's most powerful central banks and a byword for monetary watchfulness, sits protectively outside the city centre and has no pretensions to the dramatic architectural styles of the big private sector banks.

Far more pleasing is the post-modern building of the Landeszentralbank in Hessen (the regional bank of the state of Hesse), a stone's throw from the banking skyscrapers in the downtown area. The LZB is part of Germany's central banking network and its head is a member of the Bundes-

bank's policy-making council. Completing the trio is the body that will, if currency union finally occurs, become the most important of them all. Located discreetly at the top of a refurbished office tower, the European Monetary Institute is working hard to pave the way for European monetary union. Once Emu begins - to schedule in 1999 or later - the EMI will be replaced by the European central bank.

Frankfurt worked hard to get the EMI, which has clearly enhanced its status as a financial capital. But it is not only monetary officials and smart-suited, globe-trotting bankers that set the city's tone. Last year, *Fortune* ranked it fifth in a list of the 10 best global cities in which to do business for reasons that went beyond its money-lending and investment skills.

"Frankfurt is more than a buttoned-down money town," the US business magazine wrote. "The city is polishing its image as a technological capital. It has made its mark on the Internet."

Its airport also has a freight capacity that has led many US and other foreign companies to base distribution facilities there. In addition, it has numerous flights to eastern Europe, having responded quickly when the Iron Curtain fell. For Hartmut Schwesinger, head of the city's Business and Economic Development Corporation, this is an important asset: "Frankfurt's strength is as a gateway to eastern Europe," he says.

The German city, which is smaller than Berlin, Munich, Hamburg and Cologne, was above Paris in the *Fortune* rankings, though below London. The other cities were north American or Asian.

This is not the first time that Frankfurt, which some regard as a city with more energy than soul, has been distinguished. In 1988, it came top in a study of 108 cities carried out for the European Commission by Reading University. On the basis of income, unemployment, net migration and hotel

room supply, it was judged to have fewer problems than the others.

"The image of Frankfurt abroad is better than people here believe," says Mr Schwesinger. "Internationally, Frankfurt is regarded very positively."

Much has been done in the 1980s and 1990s to smarten up the city by planting trees along pedestrian shopping streets, creating attractive museums along the River Main and encouraging a wide range of cultural activities.

For business - there are more than 3,000 foreign companies in the Frankfurt area, including 750 from the US and 280 from Japan - huge efforts have been made to speed up Germany's notoriously slow and over-bureaucratic approval procedures. Processing of office planning applications has been cut from more than a year to three months, Mr Schwesinger notes.

Since the big banks and companies can look after them-

selves, the development corporation concentrates on helping smaller and less internationally experienced businesses. "It's not for us to judge the economic potential of a company," says Mr Schwesinger. "They all started off by being small."

Close attention is also paid to new sectors such as telecommunications and multi-media. Deutsche Telekom has a big operation in Frankfurt and numerous software and digital post-production houses have sprung up to serve the flourishing advertising sector. The

World's 10 best cities in which to do business

1. Singapore
2. San Francisco Bay area
3. London
4. New York
5. Frankfurt
6. Hong Kong
7. Atlanta
8. Toronto
9. Paris
10. Tokyo

Source: *Fortune*, November 1995

banks also draw heavily on advanced technology as they build up their computer systems to support their drive into direct banking and investment banking and to prepare for Emu.

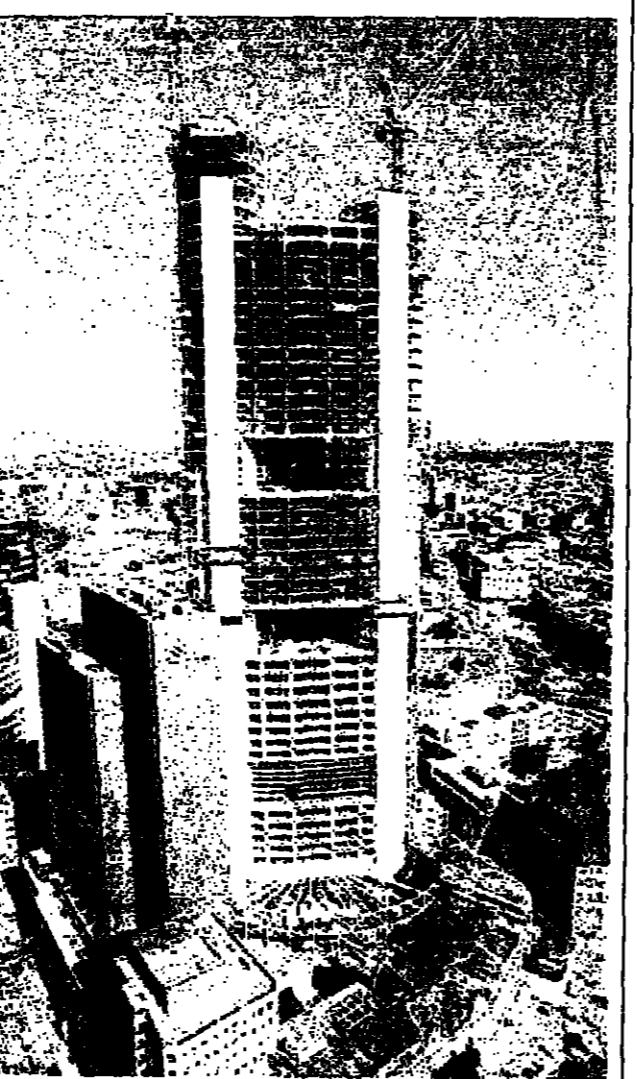
As home to the EMI, the Bundesbank and the three biggest private sector banks - Deutsche Bank, Dresdner Bank and Commerzbank - Frankfurt's association with monetary union and its prospects is far closer than in many other European cities. "Frankfurt has to prepare for this," Mr Schwesinger says. "We have to become even more international."

Since nearly every third inhabitant has a mother tongue other than German, Frankfurt can already claim to be one of Germany's most international cities. But this is not always true in spirit. Its cultural and other amenities are not always geared to foreign tastes. Although there are English theatres and some cinemas show films in the original

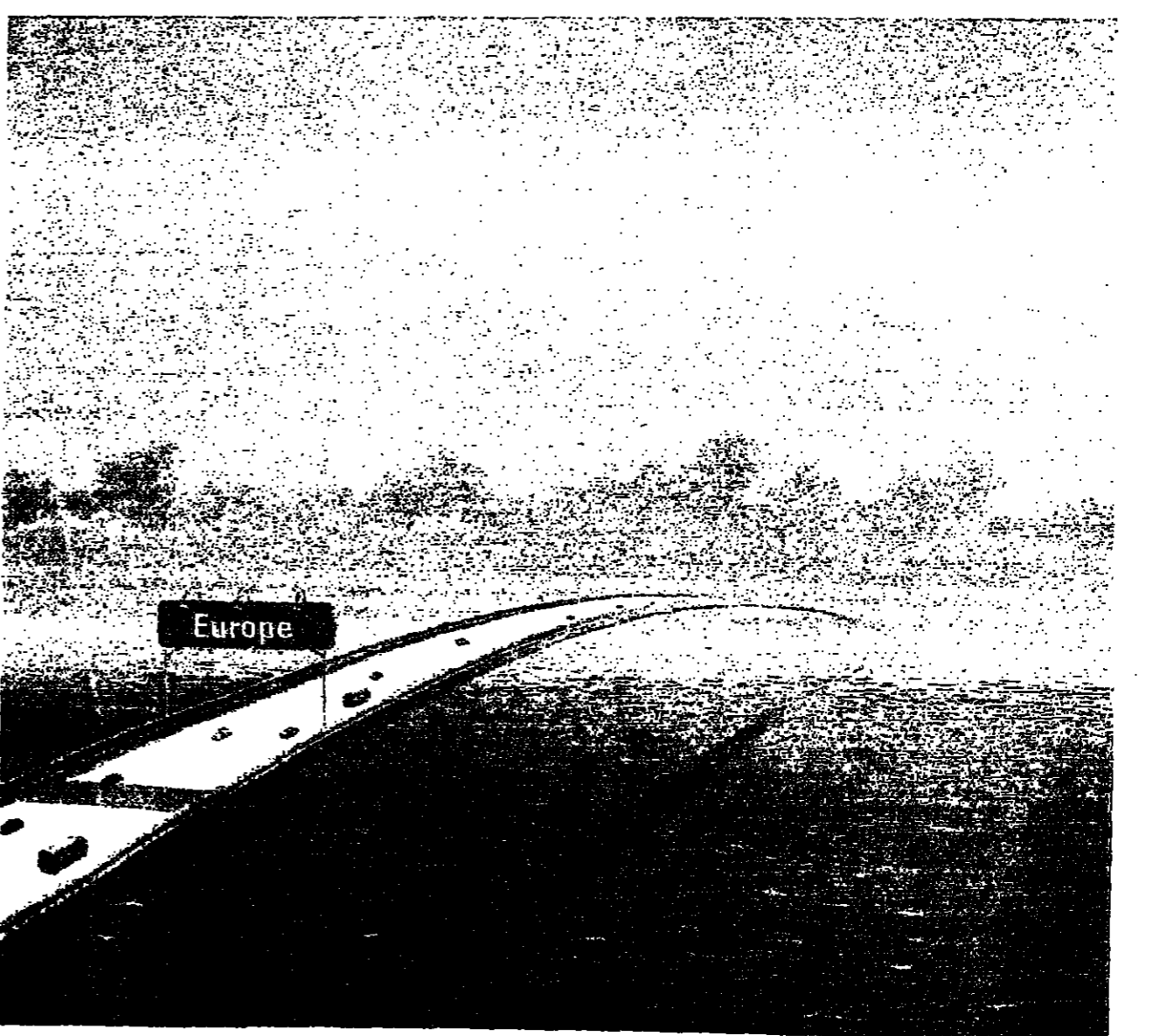
instead of dubbing them, non-Germans do not always feel at home.

Germany's antiquated shopping restrictions hardly help, although the government is proceeding slowly with plans to relax them. Mr Schwesinger admits that more needs to be done to liven up Frankfurt, which lacks the elegant avenues and jaunty boulevards of some other European cities. He hopes city centre sites will be freed up for new shopping, restaurant and other units.

"A lot needs to be done in this area," he says. "When people leave their computer terminals, they want an alternative environment in which to meet." If Frankfurt does not do its utmost to provide that, its advantages over other cities could quickly diminish, he suggests. Not all those working in the city want to retreat northwards after work to the pretty Taunus hills, where many bankers and other professionals live. Some want to stay downtown and play.



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German insurance market* (DMbn)			
	Estimated gross premium 1995	Gross premium 1994	% change
Life	88.7	82.9	7.0
Private health	31.9	28.3	12.8
Property and liability	95.4	92.9	8.7
of which			
Motor	44.0	43.2	3.0
General liability	10.8	10.1	8.5
Accident	9.2	8.8	4.0
Fire	8.9	8.9	-
Buildings	5.6	5.2	8.1
Legal aid	4.3	4.1	3.0
Carriers	4.2	4.1	3.0
Marine	3.1	3.1	0.6
Credit, aviation, nuclear	2.3	2.1	10
Total	218.3	206.1	5.9

*Net figures are strictly comparable German insurers' Association (GDV) members only, accounting for 97 per cent of the market. Source: German Insurers' Association

Handwritten signature in Arabic script.

COMPANIES AND FINANCE: ASIA-PACIFIC / INTERNATIONAL

Top Japanese electronics groups post strong rises

By William Dawkins in Tokyo

Japan's top four integrated electronics groups yesterday reported double-digit increases in profits on modest sales growth in the year to March, but warned that falling memory chip prices would be a problem in the current 12 months.

Table with 5 columns: Power surge, Sales, Recurring profit, After-tax profit, EPS. Rows include Hitachi, Toshiba, Fujitsu, and Mitsubishi Electric.

But Hitachi and Fujitsu warned that their group recurring profits would fall in the year to next March because of the decline in world prices for dynamic random access memories, used in personal computers.

The main features of the past year for the sector in general were continued losses in consumer electronics, due to fierce price competition and low margins on fast-growing personal computer sales, but an upturn in profits on businesses related to capital spending, such as telecommunications, industrial machinery and automation equipment.

Koor disappoints with 7.5% increase

Koor Industries, Israel's largest and most profitable holding group, yesterday reported that first-quarter net income rose 7.5 per cent, from \$58m in the same period last year to \$62m. Despite the increase, net income in the quarter to March 31 was disappointing compared with the 30.5 per cent surge in annual net income in 1995, to \$158m from \$130m in 1994.

Operating income rose 17.8 per cent to \$105m for the quarter, compared with \$92m in the corresponding period last year. But sales were lower than expected, and only rose slightly by 4 per cent from \$383m last year to \$393m.

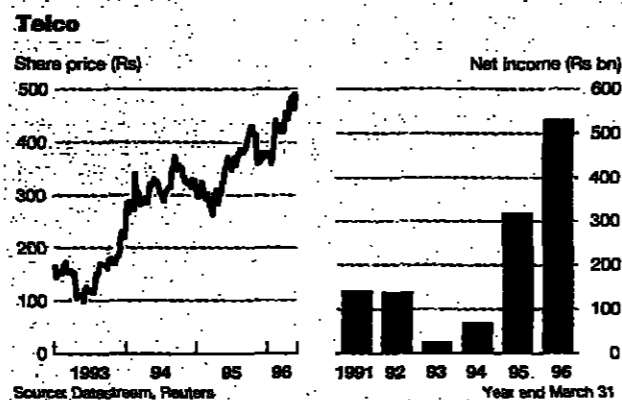
Despite external factors, Mr Gaon said Koor's first-quarter increase in sales "confirms the underlying economic resilience of our region, the strength of our businesses, and our commitment to controlling costs throughout the company".

Sakura to fund new bank. Sakura Bank, one of Japan's 10 leading city, or commercial, banks, confirmed yesterday that it is to put up all the capital for the successor institution to Taiheiyu Bank, a regional bank based in Tokyo that collapsed in March.

Telco profits advance 66% as vehicle sales hit record

By Shiraz Siddiqui in New Delhi

Tata Engineering and Locomotive Company (Telco), the Bombay-based Tata group's vehicles unit, reported a 66.2 per cent rise in net profits to Rs5.3bn (\$150m) for the year to March.



Revenues grew by 38.7 per cent, from Rs56.65bn in the previous year to Rs78.1bn. Telco, the sixth-largest truck-maker in the world and India's third-largest company in terms of sales, said a "substantial increase in production and sales volumes, a lower level of inventories and a better product mix contributed to the big growth in net profit".

The Telco board has recommended seeking shareholder approval at a forthcoming meeting to raise up to \$200m through equity or equity-related instruments in the international financial market at an appropriate time to part-finance its \$40bn expansion plan.

Indian sugar producer reaps benefit of production shake-up

By Kumar Bose in Calcutta

Balrampur Chini Mills, one of India's largest sugar producers, said profits in its last business year rose on the back of an increase in the crushing of cane and enhanced efficiency at its two factories.

But the company had to absorb a loss of Rs10m in its distillery operation. The phasing out of investment in shares in other companies entailed a loss of Rs24.8m.

Restructuring hits Mitsubishi Materials' earnings

By Gerard Baker in Tokyo

Mitsubishi Materials, Japan's leading manufacturer of metals and ceramics, yesterday announced pre-tax almost doubled on the back of strong sales growth.

The improvement in recurring profit - before extraordinary items and tax - was founded on the biggest growth in sales for five years, and came despite soft prices in the company's main markets, it said.

Negotiations among the four banks have been steadily progressing," Mr Hashimoto said, "but it will take some time to formalise the liquidation scheme."

Taiheiyu was only the second listed bank to fail in Japan in the past 30 years. It collapsed under a pile of non-performing loans advanced during the years of soaring land prices in the late 1980s.

Total Access Communications (TAC), the Thai mobile phone operator, plans to share its right to operate a mobile phone system on the 1,800 MHz frequency with International Engineering (IEC), in what is seen by some industry analysts as a back-door move by IEC to join the lucrative cellular network market.

Japan's Honda Motor has begun work on a \$104m joint-venture factory in northern Vietnam to produce motorcycles for the local market, a company executive said.

Samsung Electronics, flagship of South Korea's Samsung Group, said it had won a \$15m contract from Ecuador's Empresa Estatal de Telecomunicaciones to supply telephone switching systems.

Mercedes-Benz aims to boost substantially sales of both commercial and passenger vehicles in Asia, Mr Albrecht Branding, managing director, commercial vehicles, for Mercedes-Benz Asia said yesterday.

Mercedes-Benz Asia said yesterday, "Turnover from Asia [for both commercial and passenger vehicles] in 1995 was 9.2 per cent of our worldwide revenue of DM72bn (\$46.7bn). And this is by no means enough," Mr Branding said.

Village Roadshow, one of Australia's main cinema operators, is raising \$216m (US\$170m) through a share issue to fund overseas expansion plans. The issue, subject to shareholder approval, will take the form of 80m new preference shares at A\$3.60 each, to be placed with clients of McIntosh Corporate, the underwriter.

Deutsche Bank Aktiengesellschaft logo and name.

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Notification of Dividend. The Ordinary General Meeting on May 28, 1996 has resolved to use the distributable profit for the 1995 financial year being DM 897,181,722 for the distribution of a dividend of DM 1.80 per share of DM 5 par value on the share capital of DM 2,492,171,450.

The dividend will be paid less 25% withholding tax and a solidarity surcharge of 7.5% on the withholding tax (total deduction = 26.875%) against presentation of Dividend Coupon No. 61 at one of the paying agents listed in the Federal Gazette (Bundesanzeiger) of the Federal Republic of Germany No. 98 dated May 29, 1996.

In the United Kingdom, payment will be effected through the following banks: Deutsche Bank AG London, 6, Bishopsgate, London EC2P 2AT, Midland Bank plc, Securities Services UK Department, Ground Floor, Suffolk House, 5 Laurence Pountney Hill, London EC4R 0EU.

The Board of Managing Directors. Frankfurt am Main, May 1996.

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Bank of Montreal advertisement with logo and details of U.S. \$500,000,000 Floating Rate Notes.

BankAmerica Corporation advertisement with logo and details of U.S. \$500,000,000 Floating Rate Notes.

Les Echos advertisement with logo and text about French business newspaper.

COMPANIES AND FINANCE: EUROPE / THE AMERICAS

Air-cooled systems suffocate Klöckner

The group's reluctance to switch to water-cooled engines has cost it dearly, writes John Griffiths

Not much has gone right in the past decade for Klöckner-Humboldt-Deutz, the German engineering group which yesterday said its future was in doubt as a result of large concealed losses at its Wedag plant engineering subsidiary.

The US multinational's diesel subsidiary, has captured most of KHD's long-standing business with Linde, the world's biggest maker of fork-lift trucks.

Some other traditional props of the business have been falling. KHD was once a sizeable truck engine producer, mainly for its own associate, Magirus. But when Magirus was sold to Iveco, Fiat's commercial vehicles arm, in the mid-1980s, it took relatively little time for Iveco engines to supplant those from KHD.

Table with 3 columns: Manufacturer, 1993, 1994, 1995. Rows include Perkins, Deere, Isuzu, Yanmar, Kubota, New Holland, CAT, Belarus.

Unlike the on-highway vehicle industry, he pointed out, where dedicated drive systems are engineered from the outset for specific cars or trucks, the sectors in which independent diesel engine makers concentrate are much more flexible and products more easily re-engineered for a variety of engines.

Canadian banks top analysts' forecasts

By Bernard Simon in Toronto

Bank of Montreal and Bank of Nova Scotia opened Canadian banks' quarterly reporting season with strong earnings advances that exceeded analysts' expectations.

The banks, the third and fourth largest respectively of the six big domestic institutions, both benefited from improved retail and investment banking volumes, as well as lower loan loss provisions.

NEWS DIGEST

MCI and Microsoft in conferencing link

MCI Communications and Microsoft are working on a project to offer audio and document conferencing services over the Internet. Through Microsoft's new NetMeeting communications software, more than two people can share most existing Windows-based applications to collaborate on a document in real time, the two groups said yesterday.

Hoechst unit on the move

Hoechst Celanese, a unit of Hoechst of Germany, is to relocate its corporate headquarters to Warren Township, New Jersey, from Bridgewater, New Jersey in April 1997.

Fund buys 10% of Hudson's Bay

The US Templeton Funds have bought a 10.24 per cent interest in Hudson's Bay, Canada's biggest department store group, after snapping up the shares at a bargain price. Hudson's Bay shares have dropped from C\$40 to C\$19 because of the depressed domestic retail climate, competition from Wal-Mart of the US and price wars.

Canada insurers' income studied

Canadian life and health insurers derive about half their total premium income from outside Canada, says a Canadian Life and Health Insurance Association study. The US is the biggest outside market, but Asia-Pacific is the leading area for new investment.

Power Corp in share buy-back

Power Corp of Canada, the main holding company of Mr Paul Desmarais, the Montreal financier, is buying 17.14m of its own subordinate voting shares from Belgian subsidiaries of Paribas, the French banking group, for C\$326m, or C\$19 a share. Power Corp shares were trading at C\$22.20 around midday yesterday.

Magna plans C\$400m issue

Magna, the fast-growing Canadian-based car parts group, plans a C\$400m equity issue to double cash resources to about C\$800m. Magna plans acquisitions in the car interiors sector in North America and Europe.

Videotron wins CFCF bid battle

Videotron, Canada's third-biggest cable TV and broadcasting group, has won a bid battle for CFCF, a Montreal cable broadcaster, in a deal worth C\$397m cash. It follows a six-month legal battle. Videotron now dominates the Montreal and Quebec cable market.

Sol Meliá presses ahead with IPO

By Tom Burns in Madrid

US attempts to ward off investment in Cuba through the Helms-Burton law has not deterred a forthcoming \$270m international IPO by Spain's Sol Meliá hotel group, which has a thriving business on the island.

Part of the Helms-Burton law seeks to refuse US visas to senior executives of foreign companies considered to have trafficked with property expropriated by the Cuban government from US nationals. "Our lawyers tell us we are in the clear, but if the worst comes to the worst we will have to forget about bookbuilding in the US," said Mr Jaime Puig de la Bellacasa, Sol Meliá's deputy financial director.

The law's section allowing action through the US courts for restitution by a property's former owner against a foreign company only comes into force after November 12. But Sol Meliá would avoid being sued in the US if it disposed of its Miami hotel, it said.

Sol Meliá, which is ranked among the top 20 international hotel groups, was a pioneering foreign investor in Cuba 10 years ago, and is now the leading hotel operator on the island. The six hotels managed by Sol Meliá in Cuba, which include the prestigious business hotel Meliá Cohiba that opened in Havana last year, account for 4,500 beds and nearly 8 per cent of the group's turnover.

New product on Meff RF

By Richard Lapper

The Barcelona-based futures and options exchange, Meff Renta Fija (RF), is to launch a new type of bond derivative at the end of next month.

The new price differential futures contract, or Diff, is designed to allow dealers to trade more efficiently the price differences between the Spanish 10-year bond future and its French, Italian and German equivalents.

executive of Meff RF, said the new product would allow dealers to conduct spread trading through one single transaction, rather than two separate deals, reducing expenditure on both commission and collateral.

Inco, the Toronto-based nickel producer, has delayed completion of its C\$4.3bn (US\$3.1bn) takeover of Diamond Fields Resources, pending clarification of a lawsuit launched by a group of Texas investors against the co-chairman of the Vancouver-based exploration company.

Fields, enabling the Vancouver company to finance the discovery and development of Voisey's Bay. Exdium has claimed all Diamond Fields' assets. Diamond Fields has dismissed the suit as frivolous and tried to extract a sizeable settlement.

Nevertheless, the company's market share will certainly fall, perhaps by 10 per cent in the first year after competition, and even Mr Chico concedes that long-distance rates, already low, may be pushed lower.

Inco defers Diamond Fields deal

By Bernard Simon

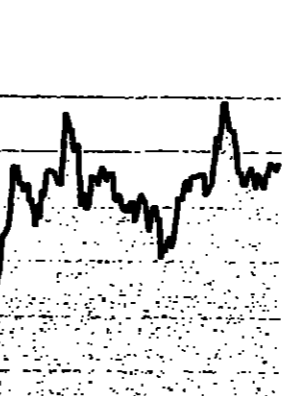
world nickel supplies within the next five years. The deal was due to be finalized today. Inco and Diamond Fields said they hoped to announce a new closing date within the next week.

Telmex learns to live with competition

The former telecoms monopoly's poor record on service is perhaps its biggest problem

Mexico is about to let competition loose in the most important part of its telecommunications industry - and change forever the life of its biggest company.

Nevertheless, the company's market share will certainly fall, perhaps by 10 per cent in the first year after competition, and even Mr Chico concedes that long-distance rates, already low, may be pushed lower.



Source: Datastream



Jaime Chico Pardo: admits Telmex needs change of culture

Others see the group's concern to keep out competitors also playing a part. "A Cablevision acquisition would be both a defensive and an offensive play for Telmex," says Ms Sari Meyer, an analyst at Salomon Brothers in New York.

Competition in the long-distance sector is due to begin in August - and Mr Jaime Chico Pardo, Telmex's chief executive, is obliged to connect competitors to his network from the beginning of next year.

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his ambitious plans to modernize. "The company's top level is very able, but it is not clear how prepared the middle management is for competition," says Mr Ricardo Peón, head of research at ING-Barings in Mexico City.

Others see the group's concern to keep out competitors also playing a part. "A Cablevision acquisition would be both a defensive and an offensive play for Telmex," says Ms Sari Meyer, an analyst at Salomon Brothers in New York.

AIR PRODUCTS GASES INDUSTRIAS LTDA. US\$ 95,000,000 Fixed Rate Notes Program Due 2005-2006. Managed by ABN-AMRO Bank N.V. and THE SUMITOMO BANK, LIMITED. Arranged by ABN-AMRO Bank. May, 1996.

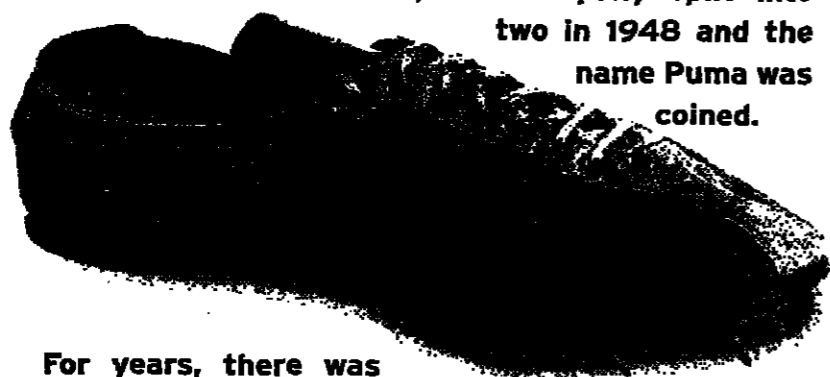
Handwritten Arabic text at the bottom of the page.

WE'RE PERFORMING BRILLIANTLY ON GRASS AND TARTAN.

AND JUST AS WELL ON PAPER.

The company that was to become Puma was born back in 1924.

It was launched by Rudolf Dassler and his brother into a sports market in its infancy. Known then as Dassler Schuhfabrik, the company split into two in 1948 and the name Puma was coined.



For years, there was little competition and the brand thrived, enjoying decades of market leadership. Business peaked in 1986, coinciding with a stock-market flotation.

Although new products and new technologies were consistently introduced, a rude awakening was in store in the shape of highly aggressive competition from Reebok and primarily Nike. Puma was quickly outpaced by its younger and fitter competitors.

Seven years in the wilderness led to unsustainable losses. It became obvious that a programme of refocusing and restructuring was not only necessary but vital to the future of the company.

Thus, phase one of the restructuring programme was introduced in 1993. It involved drastic cost reduction. The streamlining of the product range. The creation of profit centres. And the outsourcing of production. As well as a painful, but absolutely crucial, headcount reduction.

Phase two began in 1994. Basically, this was an internal re-engineering process. The entire company culture was modernised. Business processes were redesigned. Product costing was closely examined. And a streamlining of suppliers was undertaken.

Phase three followed in 1995. At its core was a renewed focus on product. A focus that accurately reflects the company's mission statement:

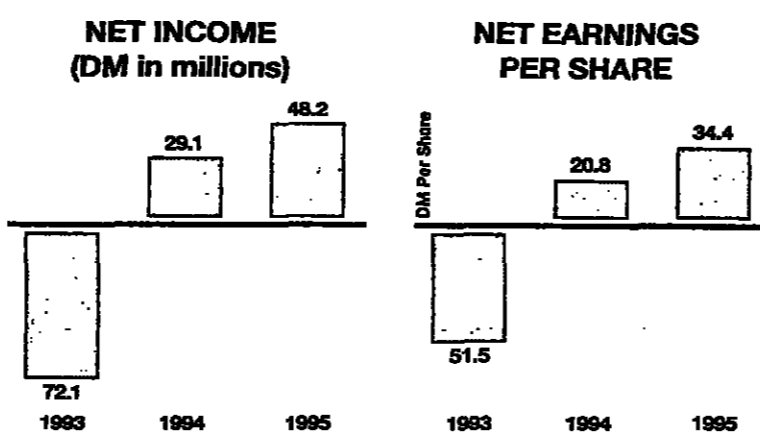
'to market excellent sports performance products that meet the needs and aspirations of today's consumers'

Allied to this was more stringent business management. A greater market and customer focus. A new product range. A global marketing strategy. Increased concentration on customer service. And tighter licensee control. These measures have led to a welcome return to both growth and profit.

The impact of the restructuring has been widespread. Loss-making profit centres were reorganised or, in extreme cases, closed during phase one. In 1995, every one of the nine remaining profit centres did indeed make a profit.

Sales in the Puma Group and Worldwide (including licensees) have increased to DM413.6 million and DM1,128.9 million respectively. Margins, too, have improved markedly. Gross profits have risen from 29.9% of net sales to 37.4%. Income from operations has jumped from -11% to +14.5% of group net sales. While net income has leapt from -17.6% in 1993 to +11.7% in 1995. Not surprisingly, the impact on earnings per share has been

enormous with an increase of 65.4% over the period '94-'95 alone.

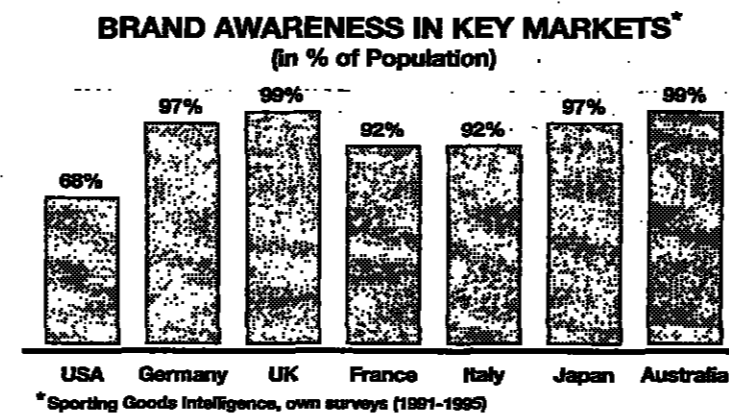


And so today the company finds itself, like its top endorsed stars, in good shape.

But what of the future? Well, the opportunity facing the company cannot be overstated.

The global sports market is simply vast. The sports footwear market alone now stands at approximately \$15bn per annum. Astonishingly, Puma's share of the worldwide market stands at just 4%.

The opportunity for growth for a sports company with the tradition and rich international heritage of Puma is there for all to see.



For, while market share in the US is minimal, brand awareness is surprisingly high. No less than 68% of the population profess recognition of the Puma brand. An impressive figure but noticeably less than the 90% brand recognition that Puma enjoys in many international markets. The widely contrasting figures attributed to market share and brand can only be seen as an opportunity for growth and must not be missed.

So just how can the company exploit this opportunity? What, in essence, are the tools for success?

Historically, Puma has been at the forefront of new technologies. Witness the introduction of the sole and shaft vulcanisation technology in the late '50s.

The development of Velcro fastening in the '60s and the 'Trinomic' sports shoe mid-sole technology and Puma Disc system in the '80s and '90s.

Only by constantly pushing for technological leadership can Puma continually fulfil its mission statement. Hence the arrival of the latest technology. Puma Cell.

A lighter, more durable, performance based technology. Other leading manufacturers are also working on new technologies.

But, according to the Wall Street Journal,

no less, Puma have once again got there first.

*By JOSEPH PEREIRA
Staff Reporter of THE WALL STREET JOURNAL
Puma AG has begun shipping a foam-less athletic shoe, beating to market a host of bigger rivals with a technology on which the footwear industry plans its next generation of sneakers.*

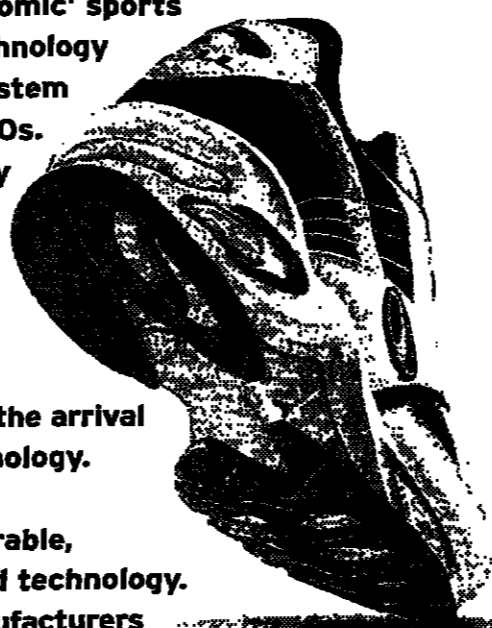
Of course, on the pitch, our endorsed stars continue to shine. Diego Maradona and Lothar Matthaus have both lifted the World Cup. And they both wear Puma boots.

On the track Jonathan Edwards, Linford Christie, Heike Drechsler, Merlene Ottey and Colin Jackson all wear Puma. Between them they have won 39 Olympic and World Championship medals. No fewer than nine of which were gold. And we all know that gold is good for the bank balance.

Very good, indeed.



PUMA



INTERNATIONAL CAPITAL MARKETS

Europe quiet as high-yield markets outstrip bonds

By Samar Iskandar in London and Maggie Urry in New York

European bond markets started the week quietly after the long weekend. High-yield European markets continued to outperform German bonds...

While this provided support for bonds, traders said the market did not have enough momentum to tackle the psychologically important level of 116.50. In the cash market, the 10-year benchmark BTP closed at 116.21, up 0.56, after reaching a high of 116.46...

Spanish bonds also outperformed the bond market. The June futures contract on 10-year bonds closed at 99.87, up 0.40 from Friday...

French bonds traded in line with bonds. Matif's June notional future ended at 123.72, down 0.04, and was drifting lower, towards the 123.60 level in after-hours trading on Globex...

GOVERNMENT BONDS

German bonds looked to Treasury for inspiration but did not seem to find any. Life's June bond future settled at 96.93, down 0.05...

UK gilts were flat. Life's June long gilt future ended at 106.93, while in the cash market, the 7% per cent gilt due 2006 closed at 96.4, up 1/8...

Market participants are hoping for some indication on the future direction of yields from the outcome of today's auction of \$3bn of 8 per cent gilt due 2021...

US treasuries drifted lower in quiet post-Memorial Day trading. Slightly adverse economic statistics and anticipation of this week's monthly auctions put some pressure on prices...

Near midday, the benchmark 30-year Treasury was down 1/8 at 99 1/2 to yield 6.840 per cent, while at the short end of the maturity spectrum, the two-year note dipped 1/8 at 99 3/8...

Royal Bank and UBS underwrite Scottish Power bid

By Antonia Sharpe

Royal Bank of Scotland and Union Bank of Switzerland have jointly underwritten a \$1.5bn credit facility for Scottish Power, which yesterday made a \$1.5bn bid for Southern Water, the water utility covering the English south-east coast...

No further details of the loan were available yesterday but bankers involved in the underwriting and syndication, would be a straightforward process because of Scottish Power's "well-defined" group of banks...

Scottish Power last came to the market in 1985 to secure the financing for its £1bn bid for Manweb, the regional electricity utility. Royal Bank of Scotland arranged the \$800m facility, which was underwritten by Citicorp, Chemical Bank (Chase), Den Danske, Rabobank, Sanwa and UBS...

SYNDICATED LOANS

Banks arranging the loan were expected to close syndication yesterday. Despite the over-subscription, the size of the loan is unlikely to be increased.

Among other new business in the market, Billiton, the international mining and chemicals subsidiary of South Africa's Gencor, has asked Africa's Gencon, South Bank of America, BZW, Chase, J.P. Morgan and Union Bank of Switzerland to arrange a \$600m revolving credit facility...

The facility has a maturity of five years, a margin or letter of credit commission of 55 basis points per annum and a commitment fee of 35 basis points per annum on the available daily undrawn and uncancelled amount of the facility...

Meanwhile, the \$300m seven-year facility for National Grid is due to be signed on June 6. On May 21, Gulf International Bank signed its \$200m seven-year facility, which was increased from an initial \$300m. The facility represents a new maturity benchmark for non-project financing in the Middle East...

Strong demand shown for French social security debt

By Conner Middeldorn

The successful launch of FF25bn in bonds for Cades, the French government agency set up to manage the state's social security system, hogged the limelight in the international primary bond market yesterday, with underwriters reporting heavy demand from French investors and some international buying...

French government bonds. The shorter tranche sold out yesterday, with some 30 to 35 per cent placed outside France. International buyers included Scandinavian investors, Asian state institutions, Middle Eastern investors and UK and US hedge funds, the official said.

INTERNATIONAL BONDS

Another dealer said that some international investors felt that the longer end of the French yield curve offered no more scope for outperformance than the shorter maturity, fearing a correction at the long end...

The 2007 tranche was slower to get off the ground, with French insurance companies - the traditional buyers of long-dated paper - hesitant to commit large sums of money, especially with the French bond futures trading at high levels in the morning...

Central Hispano Eurocapital, the Spanish bank, issued \$450m of undated, floating-rate preference shares paying a coupon of 230 basis points over Libor. A syndicate official at bookrunner Merrill Lynch said the issue tapped into investor demand - especially among retail - for high yields...

Toyota Motor Finance issued \$350m of three-year bonds via Nomura. Although shorter maturities are usually favoured by retail investors, the bonds were not allowed to be sold to this category of investors under selling restrictions applied to the Dutch Antilles, where the issuer is incorporated. The deal was therefore aimed at institutional investors. Nomura said, although some traders suggested that the five-basis-point yield spread over Treasuries might be too tight for some institutions...

NEW INTERNATIONAL BOND ISSUES

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Includes entries for US Dollar, French Franc, and Australian Dollar issues.

Final terms, non-callable unless stated. Yield spread over gov't bond at launch supplied by lead manager. Underwritten 5. Floating-rate note. R. fixed re-offer price: fixed shown at re-offer level. At preference shares with \$25 per share. Callable on coupon dates from June 2001 at par. 1) 3-month Libor +200bps. 2) Floating on coupon dates at par. 3) 1.50% in 1st yr and 3-month Libor +200bps thereafter. 4) Plus 50 days accrued. 5) Plus 25 days accrued. 6) Callable on 28/05/96 and 28/05/97 at par. 7) Over-inflated yield. 8) Short at 100%.

Japan Highway Corporation issued \$300m of 10-year bonds, the first Japanese government-guaranteed bond in the current fiscal year. According to bookrunner IBI, the bonds benefited from the recent dearth of high-quality 10-year paper and their 7 per cent coupon...

Also in the pipeline is Ford Motor Credit's \$700m five-year bond, which is due to be launched in Asian trading today, yielding about 46 basis points over Treasuries. Merrill Lynch and Lehman Brothers will be joint leads. The People's Republic of China is rumoured to be planning a global bond worth \$500m to \$750m, with CS First Boston and Morgan Stanley tipped as lead managers...

Romania announced its first Eurobond, a \$100m offering expected in mid-June after a Y30bn Samurai it issued some weeks ago. Merrill Lynch is advising Romania on the issue. The country also plans to issue US domestic - or Yankee - bonds later this year. Romania was recently awarded sub-investment grade ratings of BB- by Standard & Poor's and Ba3 by Moody's.

Table of World Bond Prices, Benchmark Government Bonds, and US Interest Rates. Includes columns for Coupon, Bid, Price, Yield, and various market indicators.

Table of Bond Futures Options (IFFE) and Notional Italian/German/French Bond Futures. Includes columns for Strike, Calls, Puts, and market data.

Table of FT Actuaries Fixed Interest Indices and FT Fixed Interest Indices. Includes columns for Index, Bid, Offer, and various index values.

Table of US Interest Rates, Treasury Bills and Bond Yields. Includes columns for Maturity, Rate, and Yield.

Table of Notional UK Gilt Futures (IFFE) and Notional UK Gilt Futures (MIF). Includes columns for Strike, Calls, Puts, and market data.

Table of FT/ISMA International Bond Service, listing various international bonds with columns for Issued, Bid, Offer, and Yield.

Table of Bond Futures and Options, including Notional French Bond Futures (MATIF) and Notional German Bond Futures (IFFE).

Table of Notional Spanish Bond Futures (MIF) and Notional UK Gilt Futures (IFFE).

Table of FT/ISMA International Bond Service, listing various international bonds with columns for Issued, Bid, Offer, and Yield.

Table of UK Gilts Prices, listing various government securities with columns for Bid, Offer, and Yield.

Table of Other Fixed Interest, listing various fixed interest instruments with columns for Bid, Offer, and Yield.

Table of FT/ISMA International Bond Service, listing various international bonds with columns for Issued, Bid, Offer, and Yield.

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CURRENCIES AND MONEY

MARKETS REPORT

Dollar returns from vacation with renewed vigour

By Philip Gawth

The dollar yesterday rallied to fresh highs against the D-Mark, Swiss franc and yen, helped by a combination of political developments in Korea and optimism about lower German interest rates.

Reports of a troop build up by North Korea in its border with South Korea boosted the dollar during Asian trading and this move gained momentum in Europe following comments from Mr Hans-Dieter Kuhnbaeher, a Bundesbank council member.

The dollar closed in London at DM1.5433, from DM1.5414. Against the yen it finished at Y108.625, from Y107.875.

room for flexibility in the interpretation of the Maastricht convergence criteria. Mr Jeremy Edwards, chief economist at the Bank of America in London, said: "If the Bundesbank can even hint at flexibility, that is pretty negative as far as the D-Mark is concerned."

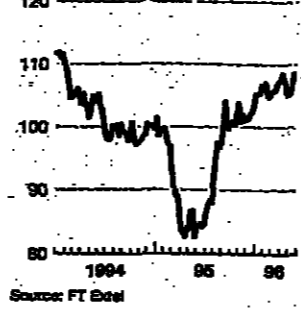
He said it provided a reason for the market to continue buying "high-yielding" European currencies and to pursue convergence trades.

The latest global survey of fund managers by Merrill Lynch confirms that one of the main obstacles facing the dollar is the position of the market. Mr Mike Rosenberg, head of fixed income and currency research, said: "There is over a shift of over-weighted dollar positions to generate a major advance."

The key finding of the survey of 90 fund managers across the US, Europe and Asia is that the sample group has increased its exposure to

Dollar

Against the yen (¥ per \$)



Source: FT Data

are extremely positive for the dollar or extremely negative for the D-Mark.

The survey bears this out on a heavily overweight reading of 85.5 (50 is neutral) last November, the market's D-Mark exposure has slumped to 44, the lowest in two years.

Exposure to core European currencies (such as the French franc and the Belgian franc) has also fallen dramatically. The reason that these currencies have moved out of favour is that the no longer are undervalued relative to the D-Mark on a purchasing power parity basis.

The corollary of this is that investors have raised their

exposure to high-yielding European currencies, to \$2, from 43.75 in February. This is the highest reading for these currencies since the first half of 1992 when the old narrow ERM band was in place.

It is probably no coincidence that this positive reading has coincided with the recent return of all ERM currencies to trading within their old, 2.5 per cent narrow bands.

Mr Brian Marber, a London based technical analyst, believes that sterling is set to rally sharply against the D-Mark. He says that the close above DM2.3380 represents a "double bottom" - a signal that the rate will go to DM2.45. His own forecast is for DM2.50.

Other currencies: The dollar is the highest level since February 1993. Mr Rosenberg said that in his view this did not represent an extreme reading of the sort which heralded an imminent reversal.

POUND SPOT FORWARD AGAINST THE POUND

Table with columns: Country, Currency, Bid/offer, etc. Lists exchange rates for various countries including Europe, Americas, and Asia.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Country, Currency, Bid/offer, etc. Lists exchange rates for various countries including Europe, Americas, and Asia.

WORLD INTEREST RATES

Table showing interest rates for various countries and currencies, including MONEYS RATES and LIBOR FT London.

EURO CURRENCY RATES

Table showing Euro currency rates for various countries and currencies, including Belgium, Denmark, etc.

THREE MONTH EURO CURRENCY RATES

Table showing three-month Euro currency rates for various countries and currencies.

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CROSS RATES AND DERIVATIVES

Table showing cross rates and derivatives for various currencies, including Belgium, Denmark, etc.

D-MARK FUTURES (DM 125,000 per DM)

Table showing D-Mark futures data for various months.

SWISS FRANC FUTURES (Sfr 125,000 per Sfr)

Table showing Swiss Franc futures data for various months.

UK INTEREST RATES

LONDON MONEY RATES

Table showing London money rates for various currencies and terms.

UK clearing bank base lending rate

Up to 1 month, 1-3 months, 6-9 months, 9-12 months.

Certs of Tax dep. (100,000)

Rate of Tax dep. under £100,000, £100,000-£250,000, £250,000-£500,000, £500,000-£1,000,000.

THREE MONTH STERLING FUTURES (LIFE) £500,000 points of 100%

Table showing three-month Sterling futures data for various months.

SHORT STERLING OPTIONS (LIFE) £500,000 points of 100%

Table showing short Sterling options data for various months.

BASE LENDING RATES

Table showing base lending rates for various banks and currencies.

JAPANESE YEN FUTURES (¥100 per ¥100)

Table showing Japanese Yen futures data for various months.

STERLING FUTURES (Sfr 125,000 per Sfr)

Table showing Sterling futures data for various months.

EMS EUROPEAN CURRENCY UNIT RATES

Table showing EMS European Currency Unit rates for various countries.

NON ERM MEMBERS

Table showing non-ERM members data for various countries.

THREE MONTH EURO CURRENCY RATES

Table showing three-month Euro currency rates for various countries.

THREE MONTH EURO CURRENCY RATES

Table showing three-month Euro currency rates for various countries.

US TREASURY BILL FUTURES (Sfr 125,000 per Sfr)

Table showing US Treasury Bill futures data for various months.

EURO CURRENCY OPTIONS (LIFE) £500,000 points of 100%

Table showing Euro currency options data for various months.

EURO CURRENCY OPTIONS (LIFE) £500,000 points of 100%

Table showing Euro currency options data for various months.

U.S. \$33,000,000

Advertisement for U.S. \$33,000,000 floating rate notes due 2000, featuring Bancorp Securities, S.A.

U.S. \$34,000,000

Advertisement for U.S. \$34,000,000 floating rate notes due 2004, featuring Bancorp Securities, S.A.

Templeton

Advertisement for Templeton Global Strategy Sinc, a socially responsible investment fund.

LEGAL NOTICES

Legal notice regarding the Board of Directors of Templeton Global Strategy Sinc.

LEGAL NOTICES

Legal notice regarding the Bank of South Australia Limited.

LEGAL NOTICES

Legal notice regarding the Bank of South Australia Limited.

LEGAL NOTICES

Legal notice regarding the Bank of South Australia Limited.

Brokerage service that's second to none - at discounted prices

Advertisement for a brokerage service offering fast, reliable, and discounted currency conversion services.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITORY RECEIPTS IN MARITIME CORPORATION

Notice to holders of European Depository Receipts in Maritime Corporation regarding a dividend payment.

LEGAL NOTICES

Legal notice regarding the Bank of South Australia Limited.

LEGAL NOTICES

Legal notice regarding the Bank of South Australia Limited.

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Legal notice regarding the Bank of South Australia Limited.

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Legal notice regarding the Bank of South Australia Limited.

LEGAL NOTICES

Legal notice regarding the Bank of South Australia Limited.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector with columns for company name, price, and change.

BANKS, MERCHANT

Table listing companies in the Banks, Merchant sector with columns for company name, price, and change.

BANKS, RETAIL

Table listing companies in the Banks, Retail sector with columns for company name, price, and change.

BREWERIES, PUBS & REST

Table listing companies in the Breweries, Pubs & Rest sector with columns for company name, price, and change.

BUILDING & CONSTRUCTION

Table listing companies in the Building & Construction sector with columns for company name, price, and change.

BUILDING MATS. & MERCHANTS

Table listing companies in the Building Mats. & Merchants sector with columns for company name, price, and change.

CHEMICALS

Table listing companies in the Chemicals sector with columns for company name, price, and change.

DISTRIBUTORS

Table listing companies in the Distributors sector with columns for company name, price, and change.

DIVERSIFIED INDUSTRIALS

Table listing companies in the Diversified Industrials sector with columns for company name, price, and change.

ELECTRICITY

Table listing companies in the Electricity sector with columns for company name, price, and change.

ELECTRONIC & ELECTRICAL EQPT

Table listing companies in the Electronic & Electrical Eqpt sector with columns for company name, price, and change.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Continuation of the Electronic & Electrical Eqpt sector table.

ENGINEERING

Table listing companies in the Engineering sector with columns for company name, price, and change.

ENGINEERING - Cont.

Continuation of the Engineering sector table.

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector with columns for company name, price, and change.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector with columns for company name, price, and change.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of the Extractive Industries sector table.

FOOD PRODUCERS

Table listing companies in the Food Producers sector with columns for company name, price, and change.

FOOD PRODUCERS - Cont.

Continuation of the Food Producers sector table.

GAS DISTRIBUTION

Table listing companies in the Gas Distribution sector with columns for company name, price, and change.

HEALTH CARE

Table listing companies in the Health Care sector with columns for company name, price, and change.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector with columns for company name, price, and change.

INSURANCE

Table listing companies in the Insurance sector with columns for company name, price, and change.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector with columns for company name, price, and change.

INV TRUSTS SPLIT CAPITAL

Table listing companies in the Inv Trusts Split Capital sector with columns for company name, price, and change.

INVESTMENT TRUSTS - Cont.

Continuation of the Investment Trusts sector table.

Continuation of the Investment Trusts sector table.

Advertisement for Hewlett-Packard and Computacenter. Text includes: 'Print leader, performance servers, managed desktops. From the UK's leading provider of distributed IT systems and services. Computacenter'.

Handwritten Arabic text: 'مكتبة دار الفکر' (Library Dar al-Fikr).

LONDON SHARE SERVICE

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INV TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts with columns for name, price, and other financial data.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies with columns for name, price, and other financial data.

OTHER FINANCIAL - Cont.

Table listing other financial companies with columns for name, price, and other financial data.

PROPERTY - Cont.

Table listing property companies with columns for name, price, and other financial data.

SUPPORT SERVICES - Cont.

Table listing support services companies with columns for name, price, and other financial data.

AM - Cont.

Table listing American companies with columns for name, price, and other financial data.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for name, price, and other financial data.

LIFE ASSURANCE

Table listing life assurance companies with columns for name, price, and other financial data.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies with columns for name, price, and other financial data.

RETAILERS, FOOD

Table listing food retailers with columns for name, price, and other financial data.

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for name, price, and other financial data.

AMERICANS

Table listing American companies with columns for name, price, and other financial data.

INVESTMENT COMPANIES

Table listing investment companies with columns for name, price, and other financial data.

MEDIA

Table listing media companies with columns for name, price, and other financial data.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for name, price, and other financial data.

RETAILERS, GENERAL

Table listing general retailers with columns for name, price, and other financial data.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for name, price, and other financial data.

CANADIANS

Table listing Canadian companies with columns for name, price, and other financial data.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for name, price, and other financial data.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for name, price, and other financial data.

PHARMACEUTICALS - Cont.

Table listing pharmaceutical companies with columns for name, price, and other financial data.

RETAILERS, GENERAL - Cont.

Table listing general retailers with columns for name, price, and other financial data.

TRANSPORT

Table listing transport companies with columns for name, price, and other financial data.

SOUTH AFRICANS

Table listing South African companies with columns for name, price, and other financial data.

Advertisement for Templeton investment services, featuring a duck logo and text about 'The Ugly Duckling' investment strategy.

GUIDE TO LONDON SHARE SERVICE

Comprehensive guide explaining the London Share Service, including details on company classifications, data sources, and reporting services.

FT MANAGED FUNDS SERVICE

FT CitiLine Unit Trust Prices are available over the telephone. Call the FT CitiLine Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing Bermuda (SIB Recognised) funds including Royal Bank of Canada O/S Fd Mgrs Ltd, Fidelity Currency Funds Ltd, and others.

BERMUDA (REGULATED)**

Table listing Bermuda (Regulated) funds including Barmuda Int'l Invest Mgmt Ltd, Barmuda Int'l Invest Mgmt Ltd, and others.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey (SIB Recognised) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

GUERNSEY (REGULATED)**

Table listing Guernsey (Regulated) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

ROYAL BANK OF CANADA O/S Fd Mgrs Ltd - Contd.

Table listing Royal Bank of Canada O/S Fd Mgrs Ltd funds including Royal Bank of Canada O/S Fd Mgrs Ltd, Royal Bank of Canada O/S Fd Mgrs Ltd, and others.

GUERNSEY (REGULATED)**

Table listing Guernsey (Regulated) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey (SIB Recognised) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB Recognised) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

IRELAND (REGULATED)**

Table listing Ireland (Regulated) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

LOT Asset Management Ltd

Table listing LOT Asset Management Ltd funds including LOT Asset Management Ltd, LOT Asset Management Ltd, and others.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB Recognised) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

IRELAND (REGULATED)**

Table listing Ireland (Regulated) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB Recognised) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

IRELAND (REGULATED)**

Table listing Ireland (Regulated) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

Delmas Europe Fund Mgrs Ireland Ltd - Contd.

Table listing Delmas Europe Fund Mgrs Ireland Ltd funds including Delmas Europe Fund Mgrs Ireland Ltd, Delmas Europe Fund Mgrs Ireland Ltd, and others.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB Recognised) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

IRELAND (REGULATED)**

Table listing Ireland (Regulated) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB Recognised) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

IRELAND (REGULATED)**

Table listing Ireland (Regulated) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

Bank of Ireland Asset Mgmt (IOM) Ltd

Table listing Bank of Ireland Asset Mgmt (IOM) Ltd funds including Bank of Ireland Asset Mgmt (IOM) Ltd, Bank of Ireland Asset Mgmt (IOM) Ltd, and others.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB Recognised) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

IRELAND (REGULATED)**

Table listing Ireland (Regulated) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB Recognised) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

IRELAND (REGULATED)**

Table listing Ireland (Regulated) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

INVESTED International Limited - Contd.

Table listing INVESTED International Limited funds including INVESTED International Limited, INVESTED International Limited, and others.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB Recognised) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

IRELAND (REGULATED)**

Table listing Ireland (Regulated) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB Recognised) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

IRELAND (REGULATED)**

Table listing Ireland (Regulated) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

Fidelity Funds - Contd.

Table listing Fidelity Funds including Fidelity Funds, Fidelity Funds, and others.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB Recognised) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

IRELAND (REGULATED)**

Table listing Ireland (Regulated) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB Recognised) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

IRELAND (REGULATED)**

Table listing Ireland (Regulated) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

Sarasin Investment SICAV (a)

Table listing Sarasin Investment SICAV (a) funds including Sarasin Investment SICAV (a), Sarasin Investment SICAV (a), and others.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB Recognised) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

IRELAND (REGULATED)**

Table listing Ireland (Regulated) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB Recognised) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

IRELAND (REGULATED)**

Table listing Ireland (Regulated) funds including All Invest Mgmt Services (Guernsey) Ltd, All Invest Mgmt Services (Guernsey) Ltd, and others.

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FT MANAGED FUNDS SERVICE

FT Cyteline Unit Trust Prices are available over the telephone. Call the FT Cyteline Help Desk on (+44 171) 873 4376 for more details.

Handwritten note: 10/1/1996

Table of fund data including columns for fund name, price, and change. Includes sections for 'Credit Commercial de France' and 'The Dragon Fund'.

Table of fund data including columns for fund name, price, and change. Includes sections for 'Mayan Shady Star' and 'Credit Commercial de France'.

Table of fund data including columns for fund name, price, and change. Includes sections for 'Allied Banker International Asset Ltd' and 'Royal Life International'.

Table of fund data including columns for fund name, price, and change. Includes sections for 'Carson Investment Management Ltd' and 'Global Asset Management - Credit'.

Table of fund data including columns for fund name, price, and change. Includes sections for 'McLennan Global Fund Ltd' and 'Republic Capital Management Ltd'.

Table of fund data including columns for fund name, price, and change. Includes sections for 'Credit Commercial de France' and 'The Dragon Fund'.

Table of fund data including columns for fund name, price, and change. Includes sections for 'Mayan Shady Star' and 'Credit Commercial de France'.

Table of fund data including columns for fund name, price, and change. Includes sections for 'Allied Banker International Asset Ltd' and 'Royal Life International'.

Table of fund data including columns for fund name, price, and change. Includes sections for 'Carson Investment Management Ltd' and 'Global Asset Management - Credit'.

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

Table of offshore insurance data including columns for policy name, price, and change.

MANAGED FUNDS NOTES: Detailed text providing information about the fund service, including contact details and disclaimers.

LONDON STOCK EXCHANGE

MARKET REPORT

Bid action returns to revive a struggling Footsie

By Philip Cogan, Markets Editor

The return of bid activity gave a lift to the London stock market and helped to keep investor interest alive on what might otherwise have been a difficult beginning to the holiday shortened trading week.

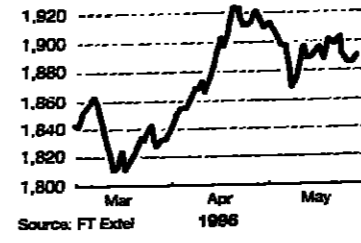
today's £3bn long-dated auction. In addition, the political background remained shaky, with further weekend press stories of splits in the Conservative party over European policy.

Even so, takeover fever took its toll to infect the overall market and the Footsie opened the day only 2.9 points ahead. The leading index gradually edged higher during the morning and reached its peak of 3,770.8, up 18.5, after Wall Street initially traded higher.

market developments were "the last throes of the takeover boom, generated by the political timetable". He has a long standing end-of-year forecast of 3,500 for the Footsie, although he said there is a danger that the index might fall to 3,300.

not extreme and the recent results season was on the high side of expectations. With plausible arguments on the bullish and bearish side, the market seems to be trapped for the moment in a narrow range, with the Footsie hovering between 3,650 and 3,850 for much of this year.

FT-SE-A All-Share Index



Equity shares traded

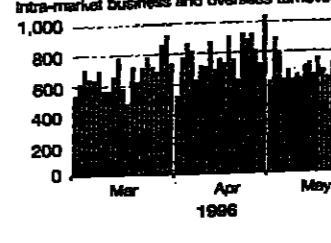


Table with 2 columns: Index Name and Value. FT-SE 100: 3760.2 (+8.1); FT-SE Mid 250: 4504.4 (+14.4); FT-SE-A All-Share: 3760.2 (+8.1).

Table with 2 columns: Sector and Change. Best performing sectors: Water (+7.0), Gas Distribution (+3.2), Utilities (+1.8).

Table with 2 columns: Index Name and Value. FT Ordinary Index: 2753.8 (+8.1); FT-SE-A Non Fin p/e: 16.91; FT-SE 100 Fut. Jun: 3764.0 (+9.0).

Takeover offer lifts waters

Takeover premium returned to the London market as Scottish Power announced a £1.5bn offer for Southern Water, and Southern Electric said it was also in talks with the water company.

The stock was said to have suffered from "no news syndrome" as investors, eager for greater financial detail on Gates Rubber, appeared to lose patience. Financial documents relating to the \$1.4bn US takeover were initially expected at the beginning of May.

Leading engineer Rolls-Royce moved ahead with a higher dividend yield to support it and there was a big institutional buyer in the market. United Biscuits fell 5 to 211p on fading bid hopes and sentiment that, on a price/earnings ratio of 19, it is overpriced.

Unilever declined 5 to 1223p, with analysts expressing some concern over the immediate outlook for trading, particularly in Germany, an important market. Sentry Farming rose 15 to 333p on the eve of its annual meeting, where an acquisition will be announced.

consultancy report on consumer spending. Next fell 12 to 555p, but Dixons benefited from the report's optimism about sales of electrical goods and rose 5 to 495p. Black & Decker climbed 13 to 143p following a 246 per cent rise in full-year profits.

Telecoms shares sprang to life following a number of broker recommendations. Morgan Stanley moved to "outperform" at BT and ABN Amro Hoare Govett and Societe Generale Strauss Turbulla were positive on cellular shares.

And Royal Bank of Scotland, which is to arrange Scottish Power's financing with the help of UBS, dipped 3 to 523p as the general takeover enthusiasm reawakened the rumour that it is interested in Bank of Scotland. BoS gained 4 at 267p.

Lucas Industries continued to will, in spite of Friday's reassurances that the talks with Fiat of the US, were on to produce a statement of intent early next month. The shares ended 2 easier at 233p in turnover of 4.8m.

US selling saw British Petroleum move down 6 1/2 to 567 1/2p. Meanwhile, bargain hunters reacted to what they consider an oversold position in British Gas, taking the hard pressed stock up 6 to 177 1/2p.

Ladbroke, which completed the £100m sale of its Langham Hilton hotel yesterday, experienced a surge of activity. Turnover leapt to 12m shares, the highest in the Footsie and well above the daily average for the stock. The share price, which has languished recently, improved 3 1/2 to 191p.

Meanwhile, the main bidders both fell back. Scottish Power lost 17 at 319p in turnover of 3.3m, while Southern Electric dropped 26 to 726p.

Elsewhere in the sector, United Utilities jumped 25 to 581p on reports that it will announce a bumper dividend when it unveils its annual results on Thursday.

Prudential, which is also benefiting from a Lehman Brothers recommendation, put on at 427p as some investors

Large-scale advertising of its new outlets in the US caught attention pushed D.S. Furniture up 29 to 557p. One enthusiastic analyst said the much talked about move of the company's stores to London had arrived.

Some clothing retailers were affected by a report by a retail

Advertisement for BCEN-EUROBANK & EBRD TO "CO-FINANCE" USD 40 MILLION OF INVESTMENTS IN RUSSIA. Includes details of the financing line and contact information for Banque Commerciale pour l'Europe du Nord - Eurobank.

Advertisement for Internationale Nederlanden Bank N.V. Established in Amsterdam, U.S. \$100,000,000. Subordinated Collateral Floating Rate Notes due 2003.

Advertisement for CREGEM Finance N.V. (Having its corporate seat in Amsterdam, The Netherlands). U.S. \$100,000,000. Floating Rate Notes due 2003.

Advertisement for Banque Paribas. Subordinated Collateral Floating Rate Notes due 2006. In the absence of any further developments since the last announcement on 8 May 1996, caution should continue to be exercised when dealing in shares of the company.

Advertisement for US \$205,000,000 Banque Paribas Subordinated Collateral Floating Rate Notes due 2006. Includes details of the financing line and contact information.

Advertisement for PERSONAL PUBLIC SPEAKING. Training and speech writing by award winning speaker. First lesson free. Tel: (01923 852266).

FUTURES AND OPTIONS

Table with 2 columns: Index Name and Value. FT-SE 100 INDEX FUTURES (LFFE) £25 per full index point (AFT). Jun: 3758.0 (3764.0); Sep: 3772.0 (3772.0); Dec: 3801.0 (+8.0).

TRADING VOLUME

Table with 2 columns: Stock Name and Change. Major Stocks Yesterday. BT: 2,100 (+1); BT: 2,100 (+1); BT: 2,100 (+1).

LONDON RECENT ISSUES: EQUITIES

Table with 2 columns: Issue Name and Price. Issue Name: F.P. 44.2 101; Issue Name: F.P. 76.5 105; Issue Name: F.P. 17.8 745.

FT GOLD MINES INDEX

Table with 2 columns: Index Name and Value. FT Gold Mines Index: 2201.48 (-0.2); FT Gold Mines Index: 2201.48 (-0.2).

FT-SE Actuarial Share Indices

Table with 2 columns: Index Name and Value. FT-SE 100: 3760.2 (+8.1); FT-SE Mid 250: 4504.4 (+14.4); FT-SE-A All-Share: 3760.2 (+8.1).

The UK Series

Table with 2 columns: Index Name and Value. UK Series: 100; UK Series: 100; UK Series: 100.

Hourly movements

Table with 2 columns: Index Name and Value. Hourly movements: 3765.0; Hourly movements: 4504.4; Hourly movements: 3765.0.

FT-SE Actuarial 350 Industry baskets

Table with 2 columns: Index Name and Value. Bldg & Constr: 1182.7; Bldg & Constr: 1182.7; Bldg & Constr: 1182.7.

Additional information on the FT-SE Actuarial Share Indices is published in Saturday Issues.

The FT-SE Actuarial Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. All figures are subject to audit. The FT-SE Actuarial Share Indices are calculated in accordance with a standard set of ground rules established by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. All figures are subject to audit. The FT-SE Actuarial Share Indices are calculated in accordance with a standard set of ground rules established by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. All figures are subject to audit.

WORLD STOCK MARKETS

EUROPE
Austria (May 28 / Sch)
Stock market data for Austria including indices and individual stocks.

Belgium/Luxembourg (May 28 / Fc)
Stock market data for Belgium and Luxembourg including indices and individual stocks.

Denmark (May 28 / Kron)
Stock market data for Denmark including indices and individual stocks.

France (May 28 / Fc)
Stock market data for France including indices and individual stocks.

Germany (May 28 / M)
Stock market data for Germany including indices and individual stocks.

Italy (May 28 / Lire)
Stock market data for Italy including indices and individual stocks.

Netherlands (May 28 / Fc)
Stock market data for Netherlands including indices and individual stocks.

Spain (May 28 / Ptas)
Stock market data for Spain including indices and individual stocks.

Sweden (May 28 / Kronor)
Stock market data for Sweden including indices and individual stocks.

Switzerland (May 28 / Fr)
Stock market data for Switzerland including indices and individual stocks.

Poland (May 28 / Zloty)
Stock market data for Poland including indices and individual stocks.

Portugal (May 28 / Escudo)
Stock market data for Portugal including indices and individual stocks.

Turkey (May 28 / TL Lira)
Stock market data for Turkey including indices and individual stocks.

Taiwan (May 28 / TW \$)
Stock market data for Taiwan including indices and individual stocks.

Thailand (May 28 / Baht)
Stock market data for Thailand including indices and individual stocks.

Japan (May 28 / Yen)
Stock market data for Japan including indices and individual stocks.

South Korea (May 28 / Won)
Stock market data for South Korea including indices and individual stocks.

India (May 28 / Rupee)
Stock market data for India including indices and individual stocks.

China (May 28 / Yuan)
Stock market data for China including indices and individual stocks.

Hong Kong (May 28 / HK \$)
Stock market data for Hong Kong including indices and individual stocks.

Malaysia (May 28 / MYR)
Stock market data for Malaysia including indices and individual stocks.

Indonesia (May 28 / Rp)
Stock market data for Indonesia including indices and individual stocks.

Philippines (May 28 / P)
Stock market data for Philippines including indices and individual stocks.

Singapore (May 28 / S\$)
Stock market data for Singapore including indices and individual stocks.

South Africa (May 28 / Rand)
Stock market data for South Africa including indices and individual stocks.

From automotive to automation, Rockwell gets your business moving. Rockwell logo and text.

INDICES
Table of various stock indices including DAX, Nikkei, Hang Seng, etc.

US INDICES
Table of US stock indices including Dow Jones, S&P 500, etc.

US INDICES (continued)
Additional US stock indices and market data.

INDICES (continued)
Additional international stock indices.

INDICES (continued)
Final section of international stock indices.

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Vertical text on the right margin: 'Notes: Prices on the page are as reported on the...'

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock name, price, change, and volume. Includes sections for 'NEW YORK STOCK EXCHANGE PRICES', 'NASDAQ LISTED STOCKS', and 'NASDAQ LISTED STOCKS'.

Advertisement for HP.com with text: 'Time waits for no one. If the business decisions are yours, the computer system should be ours. http://www.hp.com/go/computing' and the Hewlett-Packard logo.

Continued on next page

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for NYSE, NYSE, and NYSE.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for NASDAQ, NASDAQ, and NASDAQ.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, change, and volume. Includes sub-sections for AMEX, AMEX, and AMEX.

Advertisement for Germany newspaper delivery. Text: 'Have your FT hand delivered in Germany. Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day. Hand delivery services are available for subscribers in all major cities throughout Germany. Please call 01 30 53 51 (Toll Free) for more information. Financial Times. World Business Newspaper.'

Continuation of financial data tables from the previous page, including various market indices and company-specific data.

